CO-OPERATION AND THE NEW AGRICULTURAL POLICY

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BY

THE HORACE PLUNKETT
FOUNDATION

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INTRODUCTION

It is a commonplace to say that British agriculture is passing through a revolution. That the process has excited little interest except among specialists is perhaps due in part to the over-use of that once exciting word, but more to the inability of the human mind to exist for long in the austere society of one-and-three-quarter-inch riddles, tenpenny margins and eight score ten pound pigs. Nevertheless, a national experiment which may well transform not only the commercial but the technical and social conditions of the oldest and greatest of industries, which may at any moment alter the price, quality and abundance of the food on our tables, and which must have a profound, and as it were seismic, effect upon imperial relations and international trade should awaken the curiosity of every citizen. Interest in social and economic experiment in general and almost for its own sake, is one of the peculiarities of our age, taking the place, perhaps, of the theological absorption and controversy of earlier centuries. Anyone who has had to meet the demands of unemployed or other workers' educational groups will recognise this fact, and will regret that an experiment so important, contemporary and conveniently compact in time and space should sometimes be regarded merely with irritation or bewilderment.

But the British agricultural revolution offers peculiar interest and a specialised problem to those who, like the late Sir Horace Plunkett, recognised in advance of any government department or farmers' association, the need for reorganisation in agriculture, and sought to achieve it by leading an individual farm economy to complete itself in a system of voluntary co-operation adapted from the achievements of English consumers and overseas farmers. Such a system had made a beginning in the years preceding

this agricultural revolution, but it was admittedly progressing very slowly and least in those departments of commodity marketing, where, to many, its greatest opportunity seemed to lie. Has the system of state planning initiated during the last decade taken the place of voluntary co-operation? Can those who hold Horace Plunkett's faith, putting aside sentiment and tradition and applying candidly the tests of economic mechanics and psychology, judge that it is a complete and satisfactory substitute? And if the answer is negative or doubtful, what scope does the altered state of agriculture offer for that voluntary co-operative reconstruction which has such remarkable achievements to its credit and which in many countries co-exists with and makes fruitful a high degree of State planning?

In order to answer such questions, it is necessary first to consider the historical and legal background of the agricultural revolution, to examine closely not only the existing agricultural marketing boards as well as certain of the reorganisation schemes drawn up and not yet adopted, but also the effect of subsidies and import restrictions on branches of agriculture for which no schemes exist or are likely to exist; for they all form part of a new system, artificially planned, stimulated, checked and supported, which is taking the place of the old free scramble. Such an examination can only be carried out by commodities and will inevitably involve some repetition and an irreducible minimum of technical minutiæ. This section is intended principally for reference purposes. For the convenience of readers, a classified statement covering all schemes has been added on page 81. In the subsequent sections, an attempt is made to assess the effect of planned agriculture, so far as it has yet proceeded, upon different classes of the community: the home farmer, smallholder, labourer and landlord; the agricultural co-operative society; the consumer, organised and unorganised; the overseas producer. It is hoped that the conclusions which emerge will themselves supply answers to some of the questions which agricultural reformers of the voluntary school are asking themselves.

It must be remembered, however, that planned agriculture is in rapid motion. " Stop a minute ? " said the Red King. " You might as well try to stop a bandersnatch." Planned agriculture is very like a bandersnatch and only with reluctance abides our question.

HISTORICAL AND LEGAL BACKGROUND

THE origins of the revolution in British farming are generally traced to the changed view of agriculture first taken authoritatively in the Report of the Linlithgow Committee of 1923. This Report was remarkable for an entirely new emphasis on marketing and the commercial side of the industry. As a result of that report, a Co-operation and Markets Branch of the Ministry of Agriculture was formed in 1924. The first action of the new branch was to initiate the justly famous series of Orange Books. The first of these contained studies of voluntary co-operation which, though critical, set out definitely to advocate the system and to hold up existing societies as models for imitation. These early volumes were followed by studies of existing marketing methods in Great Britain, in the main a revelation of unjustifiable complexity, overlapping and multiplication of agencies and agents, and these again were completed by proposals for better packing, grading and presentation, and by a group, all too limited, of studies of foreign marketing methods worthy of imitation, which were generally, though not by any exclusive choice, co-operative. By this time, however, practice was overhauling precept. The Grading and Marking Act of 1928, though the standards which it established were only for voluntary adoption, started a number of commodities, of which the most important were eggs and meat, on the road to standardised marketing. They sought to do for the home trade of Great Britain what the co-operative organisations with their national brands had already done for the agricultural exports of Denmark and Holland, and which had been less spontaneously achieved by legislation in both Northern and Southern Ireland. The English measures were a reversal of the usual process, for in all these countries co-operative organisation had preceded

State regulation. In England, on the other hand, one indirect, but probably not unforeseen, outcome of the national marking of eggs was the rapid and successful progress of co-operative egg marketing. It would probably be no exaggeration to say that it has only been through co-operative organisation that the full benefit of a graded and marked product has been realised for the farmers. No such development, however, took place in the case of other "national mark" products, with the possible exception of cider. All this time, a good deal of propaganda and advertisement for British produce had been carried on through official bodies like the Empire Marketing Board. None of these developments was in itself startling, but the way had been imperceptibly prepared for a more dramatic move.

On July 31, 1931, the British Parliament passed an Agricultural Marketing Act (21 & 22 Geo., Ch. 42). In spite of the known trend of official thought, the move was still a surprising one. It was common to refer, between pride and despair, to the individualism of the British farmer. Co-operative marketing, though it existed, was less advanced than in any country of comparable civilisation. The farmer was little accustomed to the ministrations of a paternal state. The price crisis was, however, sufficiently severe, and it was generally judged that the farmer was tamed by adversity. He was also clamouring for protection and ready to accede to any demands of a state which had protection in its gift. The Act provides that schemes (either national or regional) for the marketing of agricultural produce, may be submitted to the Minister of Agriculture by persons "substantially representative" of the producers, both as to numbers and proportions of product. A scheme is then published and time (not less than six weeks) is given for the lodging of objections by anyone who claims an interest in the product. The Minister, after considering objections, and after holding such inquiries as he thinks fit, may modify the scheme with the consent of the persons who submitted it. The scheme in its final form must be approved by a resolution of both Houses of Parliament, but it cannot at this stage be amended by Parliament, and later only by

submission of the Board set up under the scheme, or after a report by the Committee of Investigation. Every scheme must provide for the registration of producers and for a poll of the registered producers to decide whether the scheme shall be put into operation. A majority of two-thirds of the producers and of two-thirds of the product, at a poll at which at least half of the producers vote, is required for the adoption of a scheme. Where two products are involved, two separate polls must be held. Schemes may be amended by the same majority as is needed for adoption or revoked by a vote of at least half the producers and of half the product. No scheme (except a "substantially" amended scheme) may be revoked under two years without the consent of the Board, except by the Minister with the consent of Parliament.

When a scheme is adopted, it is in the hands of a Board which consists of those persons "named in the scheme", together with two persons nominated by the Minister after consultation with the persons who submitted the scheme. An election of a board by the registered producers must be held within twelve months. The Board is authorised to buy, sell, convert into specified commodities or "adapt for sale", the regulated product. It may require the product, or a certain grade of the product, to be sold only through the Board. It may sell or hire appliances, seeds, etc., to producers. It may also make loans to producers. It may determine quality, price, grading, packing and destination. It may inspect the property of registered producers and demand estimates and returns. It may encourage agricultural co-operation, research and investigation. A Board is not intended to have share capital, but it must create, by levies or otherwise, a fund to meet expenses, make advances, equalise profits, etc. It has power to create a floating charge on any agricultural stock vested in the Board. A Board may thus be anything from a merely regulating body to a full trading monopoly.

Agricultural marketing funds (£500,000 for England and £125,000 for Scotland), derived from the Treasury, were placed in the hands of Agricultural Marketing Facilities

Committees, to be used for short-term loans free of interest, to those preparing schemes, which might be treated as grants if the scheme failed to secure adoption, and long-term loans (not exceeding £100,000 in England and £50,000 in Scotland) for the working of schemes. The Ministry undertook to set up Consumers' Committees and Committees of Inquiry to deal with complaints, to investigate and to advise on the amendment or revocation of schemes. The Minister was also authorised to set up Agricultural Reorganisation Commissions for England and Scotland, with the task of preparing and recommending schemes. A special Section, applying to Scotland only, made it possible for existing agricultural co-operative societies to transform themselves into marketing boards and for the Scottish Agricultural Organisation Society to act as a re-organisation Commission for Scotland. This was a well-deserved concession to existing voluntary co-operative organisation, and also to the strong support which Scottish agricultural co-operators had given to the bill.

So far, the legislation was permissive and the only new principle introduced was the compulsion of the minority to enter a co-operative scheme, which had already had a trial in the legislation of Australia, South Africa and a few other countries. In 1933, after a change of government, came that protection against the foreigner which was to make compulsory organisation palatable. An Act was passed "to provide for the better organisation" of agricultural and of connected industries, by regulating the import and sale of agricultural products and the production of secondary agricultural products. Under this Act; the President of the Board of Trade, after consultation with the Minister of Agriculture and the Secretaries of State for Scotland and Northern Ireland, might make an order regulating the import into the United Kingdom of any agricultural product, *provided* an agricultural scheme was in force, or had been prepared or was in course of preparation, and provided also that without such an order the "effective organisation and development" of this branch of agriculture could not be brought about or maintained. The order might determine

both the quantity and description of the product which might be imported. Further, where the importation of an agricultural product was controlled, the Minister of Agriculture might also, and this was an innovation of the first importance, control the sales of the home-grown product or any related product, both as to quantity and quality, such control being normally exercised by the marketing board concerned. The duty of recommending on the control of imported and home-grown produce was to be entrusted to a Market Supply Committee appointed by the Minister. Thus, at one stroke, two new and revolutionary provisions were introduced into the law and economy of Great Britain—quantitative restriction of imported foodstuffs and limitation of agricultural output at home.

The second part of the Act provided that where two schemes are in operation, one marketing the secondary product of the other (e.g. bacon and pigs) they might between them, and with proper sanction, set up a Development Board to control the secondary product, the Chairman and two other members being appointed by the Minister, and the remainder elected by the boards concerned. The Development Board might then issue licences to producers of the secondary product, and might ration or even prohibit production. It might buy up premises with the object of reducing inefficient or excessive production, and offer compensation to injured parties, defraying all expenses from levies on the constituent marketing boards. A Development Board might exercise any of the powers of constituent marketing boards to grade, pack, process, etc., the produce dealt with, and also to regulate sales. It might require estimates, returns, accounts and similar information from holders of licences, inspect their premises and promote appropriate education and research.

There were also some amendments concerned with the details of Board procedure. Boards were authorised to pool and distribute the proceeds of sales of regulated products, and where producers themselves were slow to come forward, the Agricultural Marketing Reorganisation Commissions were authorised to prepare schemes. Later in

the year a short Act (Marketing Act 1933 No. 2) provided for the payment of compensation to producers who had lost through the working of a marketing scheme.

A separate Marketing Act was passed in Northern Ireland. It gave the Government increased powers to link up with Boards in Great Britain, and the Belfast Minister of Agriculture sole power to initiate schemes and also to impose them, if necessary, without the consent of the producers. Various special Acts followed in connection with particular schemes, of which one of the most important was the Milk and Milk Products Act of 1934. The Isle of Man also passed an Agricultural Marketing Act and set up a general Agricultural Marketing Society empowered to link up with all the schemes in Great Britain. Similarly the States of Jersey set up an Agricultural Committee.

The story of marketing reorganisation in its official aspects has been told consecutively, since the development of principle and action is continuous. This treatment now necessitates a chronological break, since, parallel with the developments which led to the Agricultural Marketing Acts were two other measures which, though they shared in the protective element of the 1933 Act, represented a very different approach to the problem of promoting agricultural prosperity. These were the Beet Sugar Subsidy, with its attendant fiscal preference, dating from 1925, and the Wheat Subsidy, dating from 1932. Events were to show a remarkable struggle for dominance between the ideas represented by these two forms of agricultural assistance. A third form, that of the "straight" tariff, had its supporters, but at this time found no expression in official policy. Another measure which was undoubtedly a form of agricultural control and which was perhaps more influential than has usually been admitted in bringing about a general transfer to regulated and subsidised farming, was the Corn Production Act of 1917, with its orphan child, the Agricultural Wages Act of 1924.

In 1933 there was among farmers a certain readiness for organisation, which much increased with the promise of protection. But the deciding factor was the action of the National Farmers' Union of England (N.F.U.), which threw

itself unreservedly into the campaign for organised marketing and the utilisation of the Marketing Acts. Its advocacy carried unique weight, while its local and central organisation provided the necessary and otherwise non-existent machinery for propaganda, election and provisional direction. Later, the extent to which the N.F.U. controlled some of the schemes through the position of its members and officials on commodity boards became a subject of criticism and even of the hostile resolutions of its own members. At the beginning, probably, its attitude was crucial, and it is significant that the only schemes which failed to secure adoption were connected with the fruit industry, where the N.F.U. influence was limited.

Support also came from the landlords' organisations and from agricultural co-operative bodies. The Scottish Agricultural Organisation Society had been one of the prime movers in the campaign for State-sanctional organisation, mainly as a result of experience in co-operative milk marketing. The Welsh Agricultural Organisation Society was favourable. The most articulate opposition came not from the farmers but from the auctioneers and the market authorities and retail traders of country towns. The auctioneers did not hesitate to point out that they were not only salesmen but frequently bankers to the farmers, a function which the Boards might be less ready to replace, although all were specifically empowered to make advances. The country towns feared the loss of trade which centralised marketing and the drying up of old channels of distribution might be expected to bring. Criticism also came from the consumers' co-operative movement, where the fear of monopoly and high prices outweighed a general sympathy with democratically organised industry.

The first Marketing Scheme to be put forward was one for hops, for which the machinery of the 1931 Act sufficed, although the scheme was later amended to take advantage of the Act of 1933. It was not until the autumn of the latter year that the Milk and Pig Schemes were launched, closely followed by the Potato Scheme. Schemes for the marketing of raspberries in Scotland and miscellaneous fruit

in England were put forward by growers or their representatives, but failed to secure adoption. Reorganisation Commissions were appointed to draw up schemes for fat stock and eggs, but their reports were not immediately adopted. In the case of fat stock, the report had an indirect but not unforeseen effect in making possible a subsidy to producers. At the beginning of 1935, a Herring Scheme on slightly different lines was introduced and pushed through by special legislation.

All the schemes actually adopted had first to run the gauntlet of a Commission of Inquiry at which the interests of consumers, producers and distributors were represented, and numerous modifications were made. After the schemes came into force, the demand for some sort of co-ordinating body was early voiced by intelligent critics. The Market Supply Committee, appointed in 1933, to " watch the pressure gauge ", to some extent occupied this place, but it fell short of the real " food authority " which some desired it to be. Consumers' Committees and Investigating Committees were also appointed towards the end of the year for England, Scotland and Wales. The N.F.U. had its own Co-ordinating Committee for Marketing Boards for purposes of information and arbitration, and for dealing with the Board of Trade in matters of import restriction and licence. Early in 1935, a Milk Reorganisation Commission was appointed to cover the whole of Great Britain, together with a Marketing Boards Co-ordinating Committee.

MILK

Two milk schemes, one for England the other for the South of Scotland, were put forward by Reorganisation Commissions at the beginning of 1933. They were subjected to Commissions of Inquiry, modified in some directions, and put into force in the autumn of the same year, after the passing of the second Agricultural Marketing Act. They were framed to deal with a commodity the supply of which had been steadily increasing during the preceding decade not only in this country but abroad. Such an increase was having its natural effect in depressing the price, but this

effect was complicated by the fact that though "liquid" or drinking milk is so highly perishable as to enjoy what is called "natural" protection on our insular market, manufactured milk in the shape of butter, cheese, milk powder or chocolate is subject to the competition of imports largely from our own Dominions and therefore peculiarly difficult to regulate. The bulk of home milk is sold liquid, but as in most countries of mild climate and good pasture, summer supplies are nearly half as large again as those turned out in winter, while even in winter there has existed for a number of years a considerable surplus to strict liquid requirements. As a result, the meetings to fix the annual milk price which took place each September between the National Union of Farmers and milk trade representatives, have for many years past negotiated only the "liquid" price and left the various "manufacturing" prices to find their own level, which generally averages little more than half the liquid price. The milk production of England and Wales at that time was estimated at 1,262 million gallons, of which roughly a quarter was consumed on farms, a quarter manufactured and half consumed liquid. It represented 28 per cent. of the agricultural output, occupied 250,000 producers and represented a cash turnover of about £55,000,000 for the quantity coming on the market, not including farm cheese and butter.

The existence of two prices for an identical article (for no quality differentiation was ever introduced as between liquid and manufacturing milk) created an obviously unstable and therefore dangerous situation. The demand for liquid milk was almost stationary and the existence of a growing reservoir surplus to liquid requirements could not fail to have a depressing effect on the price. This was aggravated by the natural desire of all producers to get into the liquid market, a desire which was made realisable by the improvements in transport which brought remote farms in Devon and Wales within range of the London consumer. Moreover, since there was no fixed retail price, the way was open to undercutting of two kinds, the undercutting of the small producer-retailer whittling at the local

retail price, and the undercutting of the large dealer who bought milk nominally for manufacturing purposes and at manufacturing prices, and resold a part of it liquid. Under these circumstances, the breakdown of the annual price bargain by 1933 seemed imminent. It was therefore decided to invoke the Marketing Act for the purpose of devising a scheme which would provide for the maintenance of prices, for an increased farmers' share in the returns, and for an increased consumption of milk. It was also suggested that the price spread was needlessly great, and though this was contested by the private wholesaler, it was confirmed at least by the larger co-operative societies, which could point to their own accounts and to the handsome dividend on purchase which they could afford to pay out of the milk margin. It was therefore understood at the opening of the scheme, that no raising of the retail price would be needed. It was, however, expected that the scheme would be reinforced by protective duties on imported manufactured milk products as far as the Ottawa Agreements permitted.

(i) *England*

The English milk marketing scheme was not merely one of market regulation and price fixing, but of combined price equalisation and price differentiation of a most complicated and delicately adjusted kind. It was administered by a Board consisting of twelve members elected regionally, and five elected by registered producers as a whole. It divided England and Wales into eleven regions, supposedly of homogeneous character, each with a pool price to producers arrived at by averaging the regional receipts from liquid and manufactured milk, and modified by a system of inter-regional compensation. All producers with more than four cows were required to register, and no sales by unregistered producers above that limit were to be permitted. Later, the limit was lowered. Producer-retailers received special treatment, producers of graded milk (Ministry of Health Designation) were for the time being exempt from the whole scheme through the intervention of that Ministry.

The Board was authorised, after consultation with the purchasers, to fix both the liquid retail price of milk and the wholesale prices according to use (liquid, butter, cheese, condensed milk, chocolate, cream, etc.). Producers contracted on terms laid down by the Board to sell milk to their usual clients, whether wholesalers, retailers or manufacturers, the Board forming a party to the contract. The Board also bound itself to accept milk for which no purchaser could be found and dispose of it by sale or manufacture, usually charging a commission and in some cases docking premiums. All payments by purchasers of milk, except those to producer retailers, were received by the Board. The expenses of the Board, including any losses on milk actually handled, and the sums necessary for the payment of Guaranteed Quality Premium [1] were charged to the regions in the form of a levy on all milk sold. A further levy on liquid sales only was made for purposes of Inter-Regional Compensation. This did not necessarily mean complete equalisation as between regions, which would have unduly stimulated production in the remoter districts, but was intended to reduce the sharp differences which would have appeared if each region had carried its own manufacturing milk unassisted. It had been intended that this fund should be accumulated for use in summer in order that manufacturing milk should be produced from natural pasture, but in fact up to 1935 it has been paid out monthly. Transport charges and assumed transport charges for surplus handled by the Board were charged to individual producers, who also bore any deductions for inferior quality. The regions were credited with the actual receipts from sales of milk, including surplus milk, but excluding the premiums paid direct by the purchaser to the producer.

[1] The scheme provides four types of premium—Graded Milk, which explains itself; Guaranteed Quality, for milk not necessarily reaching Ministry of Health Grades, but satisfying certain standards laid down by the Board; Level Delivery, paid for a guaranteed uniform delivery within 10 per cent. more or less, or to a producer-retailer taking care of his own surplus; Special Service, which is local and individual. The cost of all but the second is borne by the purchaser.

The monthly balance was then allocated among suppliers according to quantity delivered, irrespective of use. The producer retailer was required to apply for a licence and to adhere to the prices and conditions laid down by the Board. He paid to the Board the Inter-Regional Compensation Levy, the Guaranteed Quality Levy (when required) and a sum equal to three-quarters of the difference between his regional pool price and the local retail liquid price. He might receive the Level Delivery and Guaranteed Quality Premiums if qualified. Provisions for payment for all milk on a quality basis had been made but was not adopted. The full application of the scheme was limited at first by the fact that (*a*) producers of "designated"[1] milks were excepted from the scheme, (*b*) that no "guaranteed quality" had yet been fixed, and (*c*) that comparatively few purchasers bought on "level delivery" terms. It was originally proposed that there should be a complementary Board of Wholesalers and Distributors and that the two should combine to set up a Joint Milk Council to direct the affairs of the industry, the Council to include three officially nominated "independent" members who appeared likely to exercise a deciding influence. These proposals, however, were opposed by the N.F.U. and dropped.

One result of the scheme was a bewildering multiplication of prices, none of them related to variations in quality. The understanding of the scheme is facilitated, however, if these are regarded as forming a series:

(1) Retail price of liquid milk.
(2) Wholesale price of liquid milk and milk for various manufacturing purposes.
(3) Regional price obtained by averaging the total receipts from (2) in each region and deducting administrative expenses.
(4) Regional Pool price after adjustment of the inter-regional compensation levy.
(5) Price to producer after deduction of transport, etc.

[1] Designated according to quality by the Minister of Health, as Grade A, Certified, Tuberculin Tested, etc.

During the first year the Board was obliged to negotiate wholesale prices with the purchasers or have recourse to the arbitration of Appointed Persons.[1] In fact, the price was fixed by the Appointed Persons during the first two contract periods and by direct negotiation during the third. During the first year, the wholesale liquid price in the South-Eastern Region was above that for others, but this distinction was afterwards dropped. In the first contract period, the Board did not fix the retail price, but left local retailers to agree on a price for each district. The Board, however, reserved to itself the right of prosecuting those who sold under the price so established. The result in most districts was an immediate rise in price of 1d. and sometimes 2d. per quart. Some co-operative societies attempted to resist, but as price fixing was by agreement without any provision for voting on a gallonage or any other statutory basis, they were usually overborne. A prolonged battle raged over the co-operative dividend, which was settled, to the disgust of price fixers and private distributors alike, by giving all retailers permission to pay a dividend if desired. Few besides the co-operative societies appear to have taken advantage of this permission. The distributors margin remained high even where it did not rise,[2] although it might well have been lower since the distributor no longer had to bear the risk of carrying the surplus.

During the first few months of 1934 it became obvious that the surplus was to be a formidable problem to the Board. It was estimated at 20 per cent. in winter and 40 per cent. in summer. It was prophesied that, with rising production and stationary liquid consumption, it would soon be 50 per cent. over the whole year. Nor could this be absorbed, as most farmers desired, by reducing imports of manufactured dairy produce, since the hands of the

[1] Appointed by the Minister of Agriculture.

[2] The following figures for the earnings, in pence, per gallon, of farmer and distributor, were quoted in Parliament (10/4/34):

Farmer	(1914) 11	(1918) 36	(1934) 8
Distributor	„ 5	„ 8	„ 11

Government were tied by the Ottawa [1] and Scandinavian Agreements. As an alternative, the Government had recourse to a subsidy, and guaranteed the minimum manufacturing price at 5d. in the summer and 6d. in the winter for a period of two years, starting in April, 1934. Under manufacturing milk was included milk made into cheese on farms, thus providing for the farm cheese maker, whom the scheme was already tempting out of business by the superior attraction of the pooled price. The cost of the subsidy was estimated at from £1,500,000 to £1,750,000 a year, repayable in the period 1936–38 if prices had risen, a development which would be more probable if Dominion exports could be taxed or otherwise controlled. In addition, sums up to £2,000,000, not repayable, were to be spent on publicity (in the form of a £ for £ grant to the Board), on increase of milk consumption, including milk to school children at the greatly reduced price of 1s. per gallon or ½d. for the usual ration of one-third of a pint, and for cleaning up herds by means of higher prices to producers under the Accredited Milk Scheme. The total cost of these operations was estimated at about £5,000,000.

In June, 1934, the first general meeting of the Board took place. The Manager claimed that all the milk entrusted to the Board had been sold and paid for and that the Board had checked under-cutting, stabilised retail prices and devised a method of dealing with surplus that was equitable to producer and consumer. There were 141,000 registered producers, of whom 50,000 were producer-retailers. A total of 374 million gallons had been sold by the Board during its first six months, 318 millions under wholesale liquid contracts, 63 millions for manufacturing purposes, to a total value of £17,000,000, while 55 millions were sold by producer-retailers. The average liquid price had been 15·5d., the average manufacturing price, 5·3d., and the average pool price, 13·5d. There was a small balance in the Inter-Regional Compensation Fund. The six months covered had been all winter months and the manufacturing surplus

[1] Concluded at the end of 1932 for five years and followed by other trade agreements. See p. 107.

had been under 20 per cent. The levy for expenses and reserves had been ¼d. per gallon, of which only one-third had actually been required for all administrative expenses. The reserve, amounting to £250,000, was to be used for establishing manufacture, and a factory had already been bought in Cumberland. The first elections to the Board revealed a certain revolt from the hitherto unquestioned leadership of the N.F.U.

In July, the English and Scottish Boards came to an agreement on the vexed question of Scottish milk exports to England. These had amounted to 10 million gallons, which the Scottish Board agreed to retain in return for a subsidy in the region of £100,000. An agreement as to fresh cream prices as between England, Scotland, Northern Ireland and the Irish Free State was reached a few months later. It was announced that the Accredited Producers' Scheme would be opened in January, 1935, involving a premium derived from a gallonage levy on all milk, and conferred in accordance with the results of an inspection covering cows, methods and milk. Earlier application appears to have been held up by objections raised by the Ministry of Health and the County Councils, to whose officers inspection would be entrusted, and who regarded this task as costly and invidious. On the other hand, the Milk and Dairy Produce Committee were anxious that the distributors should bear at least a part of the cost of the accredited scheme. It was also pointed out that the standard was none too high, that accredited milk was of little use unless it could reach the consumer unmixed, and for this the Board would have to control its own depots.

The contract price for 1934–35 was settled in August and was the same for all regions, involving an increase of ¾d. a gallon for the south-eastern region, and 1⅓d. for all others. It was anticipated that this would mean a rise of 1d. to the producer, bringing the probable farm price after all deductions to 10d. per gallon. The wholesale price was to vary according to the season, from 1s. in May–June to 1s. 5d. in December–February. Manufacturing prices were based on Dominion cheese with certain deductions. Deduction for

"transit risks", including cooling and pasteurisation, was assessed at ½d., and might be retained by the buyer where milk was sold liquid. Retail prices were systematised and based on a fixed margin above the wholesale price. This margin varied with the population of the area served and involved a retail price of from 1s. 8d. to 2s. 4d. The deductions from liquid price involved in the regional pooling of the lower prices for manufacturing milk, had varied during 1933–34 from 1½d. to 2½d. per gallon. This system was continued during the next year. The milk price during 1935 was calculated at 77 per cent. above the pre-war retail price. By 1934 it had risen to 85 per cent.

In February, 1935, an Agricultural Marketing Reorganisation Commission was appointed to consider the work of the Boards, their possible amalgamation or co-operation, and the relations of the English schemes to Northern Ireland. A number of suggestions were put forward for dealing with various problems which had arisen and especially with the increase of surplus. In January, 1935, Mr. Thomas Baxter, Chairman of the English Milk Board, suggested publicly that a basic production figure should be established for each farmer, as in the case of hops and potatoes, and that output in excess should only be purchased at surplus rates. To some extent the prospect of production control depended on the future of the manufacturing subsidy. It would, of course, have meant the defeat of the single price, to which the promoters of the scheme attached much importance, and it was received with strong protests by many producers, who demanded that foreign imports should first be curtailed. Mr. Baxter is also understood to have advocated a distributors' Board, but to have suggested that this was opposed by the distributors themselves, who objected equally to a fixed margin or an unfixed retail price. On the other hand, it was freely rumoured that the manufacturing interests, the National Association of Creamery Proprietors and Wholesale Dairymen, and possibly the consumers' co-operative movement, had a scheme of their own in preparation. A National Federation of Producer-Retailers was formed in March, 1935, to maintain the interests of members under

the scheme, but in fact, the producer-retailer seems to have had little to complain of unless it were the influx of new men into a trade which can now be entered without preliminary under-cutting, a tendency which is reflected in the rising rents of small farms in the neighbourhood of consuming centres. Another and somewhat insufficiently thought out suggestion was that the production of "liquid" milk should be reserved for certain areas near the centres of population. Universal level delivery contracts were also proposed as well as a reduced price for milk fetched by the consumer.

The Second General Meeting of the Board was held in June, 1935, and was a stormy one, being attended apparently mainly by the malcontents. Nothing positive, however, was achieved except a reduction in the salaries of members of the Board. The Chairman (Mr. Baxter) reported an increase of some 20,000 (12 per cent.) in the number of registered suppliers, many of whom, however, were small produce-retailers formerly excluded from the scheme and therefore not necessarily involving any increase in the milk supply in the country. For the first time, the Board had a full year's figures to lay before its members. Sales had been as follows:

	Mil. Gal.
Wholesale, through Board	783
Producer-retailers	106
Farm Cheese	21
Milk to School Children	2 [1]
	912

Of this total, 71 per cent. was sold for liquid and 29 per cent. for manufacturing purposes. It is difficult to compare such figures usefully with the six months' period of the earlier report, but the manager estimated a daily increase of 18 per cent. sold wholesale, the liquid gallonage having slightly increased and the manufacturing gallonage nearly doubled. It was estimated that three-quarters of the new milk came

[1] Another 8 million gallons was sold through wholesalers for this purpose.

from former livestock districts where farmers were going into dairying for the first time. The subsidy on manufacturing milk had increased and more favourable terms had been granted to the farm cheese makers, adjusted so as to encourage the retention of milk on the farms in winter as well as summer. A new Board factory had been acquired in Cheshire; a study of the costs of milk production had been initiated. The manager suggested that it might be found necessary to impose some form of levy not only on producer-retailers but also on producer-wholesalers.

In August, 1935, on a petition of 500 registered producers, a poll was held to decide whether or not the scheme should be continued. A majority of 81% of the producers voted against the revocation of the scheme.

By the early months of 1935, it was generally realised that the scheme had three grave defects—the steady increase in the volume of milk, the rise in retail prices, and the failure to reduce the cost or increase the efficiency of distribution. These defects are inter-related. It has been estimated that the success of the milk scheme depends on the sale of three-quarters of the output in liquid form. Whether or not this precise figure is correct, there must be an optimum proportion which may be maintained either by stable production or by elastic consumption. Neither of these conditions appear to be present.

The increase in production had been in progress before the scheme was initiated, and had in fact been one of the main reasons for the adoption of some form of control. Figures already quoted show that it has continued. Beef was unprofitable, store cattle little better and in some districts worse. Butter and cheese (in spite of the subsidy) offered a poor return for heavy labour. It was easier and paid better to allow a factory to collect the milk every morning. If the factory gave back no skim for pig or calf rearing, that only meant, once again, fewer calves and pigs and a more absolute concentration on milk. There was a further increase due to improved and more costly methods of production, and the books of farmers' co-operative societies

showed the ready sale for feeding stuffs and grassland fertilisers.

The scheme had aimed, by a process of buying off the remoter, low-cost producer, at relieving the high-cost, near-town producer, threatened by improving transport. It had ended by so encouraging the low-cost producer by pooled prices, that he had cheerfully increased his production and thrown it on the manufacturing market. This was further involving a shift in the type of farming, which promised far-reaching consequences, together with an incipient conflict of interest between East and West England. The scheme had in fact evolved something like an automatic subsidy to manufacturing milk even before government intervened with the open subsidy of the 1934 Milk Act, while retail prices had so risen that an attempt to keep manufacturing milk off the liquid market might at any moment overshoot its mark and introduce liquid milk on the manufacturing market. In the face of this situation, the Board had, roughly, four alternatives before it—to increase liquid consumption by lowering the price, to improve manufacturing outlets, to check the flow of milk from the farm by the operation of the price, or to restrict production.

From every point of view the first solution would have seemed the most desirable. Economically, an increase in the proportion going into what was, even allowing for a lower retail price, by far the most remunerative market, would seem the obvious way of maintaining the pool price. Sociologically, there was everything to be said for increased milk consumption, especially by children. None the less, and in spite of all initial protestations to the contrary, price-fixing had led irresistibly to price-raising. It is true that milk was being distributed to school children at a cost of which half was borne by the taxpayer and half by the consumer in the form of an addition to price—a curious though socially valuable form of official price-cutting—but in spite of the efforts of many consumers' societies, no general lowering of prices had been attempted, and consumption remained obstinately stationary, while the restriction in the

sale of unregistered producer-retailers was said to be driving the rural poor to tinned milk and further swelling the surplus. There was much popular complaint of the profits of milk distributors and especially manufactures, and criticism of the rising shares of well-known companies. The most authoritative criticism of the distributive margin came from the Statutory Consumers' Committee, appointed under the Agricultural Marketing Act, with Mr. G. L. Corbett as chairman.

The Consumers' Committee issued its first report on milk in the spring of 1934. It complained of the lack of definition in the expression "prevailing retail price of the district", of high and irregular prices, especially high winter prices, of falling consumption and the increased distributive margin. A more controversial opinion was that rates had been fixed so as to cover a high cost of distribution, and that, while it was right to encourage the best service, it was possible to have a service which was over-elaborate. Finally, it was urged that control should be exercised by some responsible and legally constituted authority which might fix a low minimum price, with premiums for increased service. The London margin of 1s. or 1s. 0½d., replacing a margin of 11⅔d., was especially condemned, now that all risk of surplus or under-cutting had been spared to the distributor. The conclusions of the Committee were summarised as follow: (1) Fixed retail price is unnecessary; (2) a minimum margin is better than a fixed prevailing price; (3) the fixed margin should be on the basis of minimum service; (4) in some areas prices should be reduced without waiting for the close of the contract period. In July of the same year, the Committee published a statement approving the new fixed margins for different types of district, but advising that the margin should be related to service as well as type of district and should be lowered further, or, alternatively, that price-fixing should be abandoned. In September, the Committee pointed out that in the new contract the margin had not been lowered, but raised.

The Committee issued its second Report in February, 1935. It pointed out a rise in milk prices of 10 points as

against 1 point for food and cost of living in general, while a further rise was anticipated in 1934–35. In nearly half the towns examined, the price was higher than in the previous year, while in 80 per cent. of the towns examined, the actual price was higher than the average minimum laid down. Moreover, the winter period had been extended from six to eight months, an extension which it was estimated to cost Londoners alone some £500,000. In a few districts reductions had taken place, but these could only be on the initiative of the distributors and were practically confined to rural districts and distressed areas, affecting about 5 per cent. of the population. At the same time, service was frequently deficient. Special weight was given to the evidence of Tyneside local authorities, who described the turnover to condensed milk and the decline of health, particularly among children below school age and expectant and nursing mothers. The Committee drew attention to the emergence of a vicious circle—price pooling leading to increased production, this to a lowering of the pool price, this again to a higher liquid price. In conclusion, the Committee expressed approval of the marketing scheme in principle, but called attention to the rise in retail prices, to the decrease in consumption and the turnover to condensed milk and the fact that, although the distributor enjoyed the full benefit of his share in the increased price, it was partly lost to the producer owing to the pooling system and the increased proportion going to manufacture. It was noted that the margin was under investigation, and three lines of policy were advanced: (1) supply of milk to children under school age and to expectant and nursing mothers at prices between retail and wholesale; (2) securing of power of consumers to influence price-fixing; (3) fixing either of price or margin for the benefit of the consumer on a basis either of minimum services or grade. From other quarters came the suggestion for a lower price to private consumer with large regular orders.

In view of the conditions revealed by the Consumers' Committee, there seemed little prospect that the propaganda and advertisement of the Board would have any material

effect in increasing consumption. In fact, public policy had worked in other directions, and during 1934 at least it was towards improved manufacturing outlets that attention was turned. English manufacturing prices, low as they seemed to the English farmer, still made it hard to compete with imports, which, in addition to any natural advantages they might possess, had also—and this is too often forgotten—established their market by co-operative manufacture and sale and the attention to quality, uniformity and regularity which such co-operation makes possible. The price of imported condensed milk was especially low, so that all surplus gravitated to butter and cheese. A stiff tariff was put on imported condensed milk and the Minister of Agriculture was able to announce that the drop in imports had been more than made good by home production. Whether the increased consumption had been at the expense of liquid milk, he did not say. Butter and cheese could not be dealt with so simply, since they were the products either of Dominions, which were protected from tariff or other discrimination by the Ottawa Agreements, or of the Scandinavian countries, which had hastened to conclude similar agreements in the early days of the scheme. For the time nothing could be done about imports, and it was doubtful whether political considerations alone would ever allow of any important reduction. Hence the 1934 subsidy on manufacturing milk. This did not, in fact, make a difference of as much as ½d. per gallon on the pool price actually received by the farmer and so was to be deprecated as increasing the burdens of the taxpayer rather than as contributing much (in comparison with the pool itself) to stimulate the production of milk.

Meanwhile, the unofficial clamour for restriction of imports continued and did not spare Dominion supplies, especially those of New Zealand. A levy on imports on the analogy of the Wheat Act[1] was proposed with the object of providing "deficiency payments" to make up the price of manufacturing milk. It was also suggested that the farm cheese subsidy should be extended to farm butter.

[1] See p. 66.

By the summer of 1935 such measures as had been taken to enlarge manufacturing outlets had proved definitely inadequate, and it looked as though the Board would fall back on its last alternative and reintroduce the price check. Here, again, there were various possibilities. The Board might have adjusted or abolished the inter-regional compensation fund in such a way as to discourage production in the predominantly manufacturing districts. Economically, there was much to be said for this expedient, but the producers in these districts were numerous and wide awake and their protests had already done much to reduce such discrimination as had already been attempted, and any reversal of the process would bring them out in open revolt. To allow falling pool prices to take effect in lowered production throughout the country had less to recommend it. It would bear especially hardly on the already injured high-cost producer ; unless other lines of farming were to become more profitable it would be by no means certain in its effects and it would provoke an even more general revolt against the scheme than would the penalisation of the manufacturing West. Finally, there was a reintroduction of the old, discarded, much-abused expedient of the differentiated payment for " liquid " and " surplus ", and it was towards this that official opinion appeared to be moving.

The question of efficiency had several aspects. The efficiency of distribution was adverted to in the findings of the Consumers' Committee, which made it plain that the scheme had fallen short of that reorganisation which supporters of the first Agricultural Marketing Act hoped to see initiated, since the Board made no attempt to organise sales or rationalise channels of distribution. In fact, the Board, probably without intention, did much to neutralise such local but none the less successful ventures in this direction as had been carried out by farmers' co-operative societies. These societies, usually engaged in collecting, pasteurising and wholesaling their members' milk, found the old principle of the co-operative sharing of profits and losses with their members swept away and had to choose between entering the market as ordinary wholesalers and

manufacturers, or attempting to live on the ½d. a gallon "transit risks" which was all that they could claim to retain for the services performed. In England, the position of the societies seems to have been generally unsatisfactory, although in Wales, where few established co-operative dairies exist, it was suggested that farmers should establish their own creameries and piggeries rather than place themselves unreservedly in the hands of the possible manufacturing enterprises of the Board. Other proposals arising out of the scheme were a National Mark for butter and separate cheese and butter marketing schemes and the organisation of producer-retailer groups to sell direct to consumers' co-operative societies. On the side of productive efficiency there was the Accredited Milk Scheme for what it was worth, but on the other hand, the Board was accused of discouraging the producer of superior milk, since the inferior milk, which is naturally suited to the manufacturing market, had become as saleable as the better quality. A suggestion that the high-cost, high-service distributor should be encouraged and the vendor of raw loose milk penalised by means of some form of internal levy and subsidy was perhaps impracticable owing to its complexity and the general uncertainty of standards.

Finally, it may be asked how, apart from its ultimate effects, the scheme was received by the ordinary farmer, in whose hands it lies to end or mend it. Complaints, it is true, have been noisy and widespread. Producer-retailers at first felt themselves hardly dealt with and were slow to agree that the levies and restrictions imposed on them were necessary conditions of a stabilised price. Feeling in the West Riding of Yorkshire was especially strong, and prices, the level delivery and service premiums, transport charges, the distributors margin and the demarcation of regions were all the subjects of criticism. Latterly the storm seems to have subsided. More serious is the case of the high-cost, near-town producer, and indeed of all who had been selling milk mainly liquid and now found themselves at a cruel disadvantage. Some of the injustice will in time be adjusted by a lowering of what have been probably exaggerated rents.

In some cases high costs were not the result of high service even combined with geographical luck, but were the results of inefficiency, or, which is perhaps not quite the same thing, an extravagant method. In some cases a high service bordering on the extravagant may be made commercially efficient by a transfer to production under the Ministry of Health "designated" grades, though these admittedly do not always find a ready market. Other farmers' complaints have been concerned with the high transport and insurance charges of the Board. Complaints, however, have been sporadic, the results of the 1935 poll on the continuation of the scheme were decisive and there was a general impression that, even if pool prices had meant lower prices, assured returns had been a great relief, and the farmers were more satisfied than they perhaps cared to admit.

(ii) *Scotland*

The first Scottish Milk Scheme under the Act differed considerably from the English. It applied to Southern and Central Scotland, the area supplying the large urban districts of Glasgow, Edinburgh and Dundee. There was no regional organisation. The Board was elected, not directly, but by a selection committee elected by producers. It was empowered to fix prices and grades, to determine to whom and for what purpose milk should be sold and also itself to buy and manufacture milk. Sale by unregistered producers, or otherwise than to or through the Board, was prohibited, except in the case of producer-retailers, and producers of certified milk, who paid nine-tenths of the contributions to the Board's funds paid by other producers, and were free to sell individually. The Board fixed a *standard price* to the distributor for untreated liquid milk, in consultation with the distributors (which meant to a large extent the consumers' co-operative movement). Graded, treated or specially delivered milk commanded a higher price, also determined by the Board. The market price of butter and double cream was fixed monthly, and the price of cheese based on average best Dominion. Manufacturing milk might be sold for what it would fetch but to a large extent

it was manufactured by the Board, which for this purpose purchased, with a 3 per cent. loan, sixteen of the existing co-operative creameries. The Board received the proceeds of these transactions as well as of sales at the Standard Price, and contributions by producer-retailers and others. Some covering general expenses and reserves and the payment of excess prices were deducted, and the remainder pooled and distributed equally on all milk. The Board controlled road haulage contractors and haulage costs were pooled, with certain deductions and allowances. There were also deductions for quality deficiencies.

In the summer of 1934, separate schemes for the Aberdeen and Inverness districts were instituted, the Aberdeen scheme based on an existing voluntary co-operative selling organisation. One for Moray and Banff and cheese schemes for the Western Isles and the South-West were being considered, but in a year's time seemed no nearer adoption. Both the Aberdeen and Inverness schemes provided for "basic quantities" and a differentiated price for surplus. This worked out to the advantage of the level producer and the high winter producer. The equalisation levy was also lower than in the main Scottish scheme, for it was only required to pay full basic and graded price, while in the main scheme the cost of operating was calculated as the sum required to raise all milk to the liquid price. Further, although the Northern schemes accepted all milk, the distinction between basic and surplus milk, and old and new producers (who come into the surplus class) checked a tendency to increased production. The producer-retailer levy was lower than in the South, and was calculated at the rate of £2 per cow. The Inverness Board might also determine the quantity of milk, other than graded, which might be sold by any one producer. The Scottish schemes, like the English, benefited by the 1934 manufacturing subsidy.

In Scotland, as in England, the Milk Scheme came at a period of falling prices and fierce and often unscrupulous price-cutting. Unlike the English scheme, it succeeded a sustained but ultimately unsuccessful attempt at voluntary organisation. The Scottish and English schemes had many

features in common, notably that of a pooled price, but the main Scottish scheme appeared simpler, more complete and more flexible. Since the Board itself handled surplus and made a real attempt to find commercial outlets, it acquired a much firmer hold over the product and, consequently, its price, and was able to take a stronger line with the purchasers of milk. The fact that these were in the main consumers' co-operative societies was not without importance. The whole character of the scheme had in fact been made possible by Scottish conditions, where massive vested interests in the manufacture and distribution of milk did not exist, and where intensive co-operative organisation not only of consumers but also of producers, preceded the adoption of the scheme, the most important being the Scottish Milk Agency which was its immediate parent. The producers' co-operative organisations (the creameries) were in a sense submerged in the Board, entailing a certain risk should conditions, political or economic, ever lead to the abandonment of the scheme ; it is also possible that the Board paid somewhat too dearly for a collection of creameries, some of which were redundant to modern needs. On the other hand, without the creameries, the voluntary Scottish Milk Pool and their parent, the Scottish Agricultural Organisation Society, it is doubtful if the scheme would have come into operation, while it is an historical fact that the general Marketing Act itself owes its existence not a little to the initiative and persistence of Scottish co-operators.

The scheme was adopted by a majority of 77 per cent. on a poll of producers, and began operations on December 1, 1933, with a prospect of an annual turnover of six to seven million pounds. Difficulties were early experienced with producer-retailers and shopkeepers, the former complaining of the high levy, and both of the refusal to allow a dividend to be paid by retailers other than co-operative societies. This agitation was believed to be backed by the big distributors. The question of dividend on purchase was much more acute than in England. The co-operative consumers' societies claimed 65 per cent. of the urban trade of Southern Scotland, and the Board at first gave them the sole right to

pay a dividend. Later, this was modified, and retailers were allowed to give dividends where this was the general desire of the district. This was regarded as more satisfactory than the abandonment of a fixed retail price. The co-operative societies on their side complained of interference with their regular supplies from their own creameries, a difficulty which was afterwards adjusted.

In May, 1935, the Scottish Milk Board held its Second Annual Meeting. Registered producers numbered 8,166. The disposal of milk was as follows:

	Mil. Gal.
Sold liquid	50·1
Sold for manufacture or made into cheese on farms	40·7
Sold by producer-retailers and other exempt producers	18·2

Levies covering manufacturing and other expenses had averaged a little under 3¼d. a gallon, and the average price received by the producer had been 11d. Retail prices had been fixed by agreement with distributors, but it was doubtful how long the policy of a fixed retail price would be maintained. The basis of the farm cheese subsidy had been altered to the advantage of the cheesemaker. New creameries were under construction, the wastage of skim milk had been reduced by the discovery of new outlets, including pigs. A gross saving in haulage was claimed. The Board was supplying 430,000 school children, 39 per cent. with Grade A T.T. milk, and proposals for a similar supply of milk to hospitals and institutions were under consideration.

The scheme had to contend with one or two difficulties which seem to have been peculiar to Scotland. The control of haulage by the Board and especially calculation of haulage cost on a basis of distance to Glasgow called forth a protest, as did the differentiation in the price paid by purchasers of over and under fifty gallons daily. This was later modified and wholesale prices were lowered. Producer-retailers attempted to reduce their obligations, but a test case decided that they must bear their share in the whole cost of operating the scheme, and not merely in the administrative expenses. A concession in the form of levy per cow instead

of per gallon was made but was not wholly satisfactory. The question of exports to England was settled by the payment of a subsidy from the English Board as already described (see p. 18), but the Aberdeen and Inverness Boards continued cheerfully unloading surplus in London. On the other hand, Irish cream imports were for a time a factor in reducing the Scottish milk price. But the main problems of the Scottish Board were the same as in England —those of increasing supplies (even if the rate of increase was less), stationary consumption and their combined effect on farmers' prices, with a peculiar acerbation of the relations between high- and low-cost producers. Consumers, speaking through their societies and through civic authorities, protested against the abandonment of the usual summer reduction of 1d. per quart on the retail price and the establishment of a uniform price of 2s. a gallon throughout the area of the scheme. The co-operative societies, in particular, brought forward their own running costs to prove that the distributive margin of 10d. was needlessly high, and it was understood that societies with a large and compact area to serve were well content to pasteurise, bottle and deliver for 6½d.

The co-operative societies did not support their plea for reduced prices with any definite figures of declining consumption or of a transfer to condensed milk. Undoubtedly a general increase in the number of members buying milk from the co-operative societies went far to mask any individual decline, if such existed. At one time the Board is understood to have proposed a summer price of 1s. 10d. and a 9d. margin and to have been refused by the retailers. The Committee of Investigation reported the existing arrangement reasonable and in the best interests of all parties, but the Consumers' Committee of Scotland continued to protest and to demand information on the cost of production and distribution. Proposals for the regulation of distribution were occasionally heard.

In the meantime, the output increased steadily. The increase came principally from the low-cost back lands but was by no means confined to this type. It was brought

about in more than one way: (1) more heifers brought on; (2) old cows retained; (3) fewer calves reared; (4) better feeding (usually on artificials); (5) manuring of grasslands; (6) less farm cheese making. The proportion going into manufacture rose with the rise in supply, in spite of the Board's efforts to popularise milk consumption and a rise in the demand for "designated" milk. The pool price declined. It became apparent that the outlets for manufactured milk, especially condensed milk, were not unlimited, though the consumers' co-operative societies were doing a profitable business in butter and cheese made from milk purchased from the Board. There were difficulties in extending the school children's milk to other deserving classes, since, besides the opposition of the retailers, there was the fact that sales to hospitals would not in fact mean opening up any new trade. The Board was ready to deal with the situation either by unfixing the retail price and allowing prices to fall with increased production by quality payment or by reverting to the Aberdeen expedient and fixing a basic quota with a lower price for surplus production irrespective of quality. This last was apparently preferred by a group of producers in the East of Scotland—general farmers drawn into the dairy business by high prices—who became at this time increasingly indignant and protested that the pool price was insufficient to meet their high costs of production, however agreeable it might be to the small specialised dairyman of the West. It was suggested that if the West had in the past exported its surplus to the East instead of to England, the Eastern farmers would have been readier to support a pool. A small concession was offered by the Board in the form of a wholesale price variation of 1d. as between winter and summer, applying to Eastern Scotland only. The agitation, however, continued, and sought political support. An East of Scotland Milk Producers' Federation was formed, including about a quarter of the total pool membership.

Nevertheless, it was doubtful how real the East of Scotland grievance was. Undoubtedly the pool price was making unprofitable the costly and insanitary system of town milk

production which still prevailed in Edinburgh, but its disappearance could only be a gain to public health. An interesting though necessarily incomplete piece of evidence is the survey of a group of smallholdings in South-Eastern Scotland, carried out by the East of Scotland College of Agriculture. This shows that producers selling wholesale to consumers' co-operative societies have lost something in the wholesale liquid price but have sold all their milk at the pool price instead of a part at manufacturing prices. They have been exempt from sudden changes in demand and from any need to do a return trade in groceries. Producer-retailers have gained or lost according to the market in which they formerly sold. Those with the smallest summer surplus have done best. Some consider the levy so high that it leaves no margin for replacement. It often equals or exceeds the rent of the holding, but this is an unsafe criterion where production is intensive. Most farmers on the other hand have maintained or increased their herds, a movement which has been observed generally among Eastern farmers. Admittedly, some 5 per cent. have suffered severely, but the general conclusion seems to be that the disadvantage of a lower net price is balanced by an assured outlet and that there is still room throughout the East for a reduction in the cost of production, and an increase in efficiency to the standard which specialisation and training by co-operative creameries have brought the West.

In March, 1935, the principal agricultural organisations of Scotland laid joint proposals before the Reorganisation Commission then sitting. These were (1) a National Scheme for Great Britain, or at least an All-Scotland Scheme; (2) restoration of winter and summer prices, and (3) a reduced distributive margin. There is a prima facie case for an All-Britain pool, and this was favoured by the East of Scotland producers, till a view of the rising surplus in England gave them pause. There is, however, a good deal to be said for the flexibility of regional pools and the power of a small unit to experiment, while there is a possibly minor but by no means unreal danger that an All-Scotland

or All-Britain pool would find itself attracting milk from the low-cost Highland area at present outside all schemes.

(iii) *Northern Ireland*

Northern Ireland was placed by the Marketing Act in an anomalous position. Though within the scope of the Acts, it was not included in either of the Marketing Schemes, in spite of being a considerable exporter of dairy produce to England and the initiator of far-reaching schemes for the improvement of the economic and technical sides of the dairy industry. A further difficulty was that only some 30 per cent. of the total output went into liquid consumption and no price pooling scheme could therefore well be attempted. In the summer of 1934, a Northern Ireland Milk and Milk Products Act was passed, setting up a Milk Council with three members appointed by the Ministry of Agriculture, three representing the consumers, seven elected by the holders of producers' licences, and four by holders of distributors' licences. Where unanimity could not be obtained, the representatives of the Ministry had the deciding vote. The Secretary and officers were also appointed by the Ministry. The scheme was, therefore, much more definitely governmental than the parallel scheme in Britain. Both producers and distributors of liquid milk were obliged to take out a licence, and producers' licences were divided into three classes, A, B and C, according to grade. Grade C is slightly below the English accredited milk ; anything below C must be sent to a creamery or fed to stock. The fees payable were higher for the lower grades, rising to as much as 3d. per gallon for Grade C, and so constituting a premium on good production. There was some natural opposition from Grade C producers. A Milk Fund was established for the maintenance of a pooled price. Northern Ireland received a loan of £200,000 from the British Government under the Milk Act of 1934, repayable if prices during 1935–36 rose above 6d. in the summer and 7d. in the winter. Retail milk prices, Grade C in Belfast were 5½d. per quart, as against 7d. in London, and 4½d. if fetched. In the country prices were 4½d. and 3½d. respectively. Grades

B and A are respectively ½d. and 1d. higher, but the price of Grade B to the retailer was the same as C. As Northern Ireland prices were as low as 2½d. and 3d. per gallon, the proportion of the guaranteed price met out of subsidy was considerable. With low-grade milk excluded from human consumption, it was necessary to ensure an alternative outlet, and in the early part of 1935, a controversy was precipitated by the action of the Government in granting permission to a private firm from the Free State to set up creameries in Northern Ireland. Existing Northern co-operative creameries hastened to offer their services, but were refused.

The Northern Ireland scheme, whatever criticism might be raised against its details, had undoubtedly achieved several things in which the English and Scottish schemes had failed. It had established a low retail price which, especially with the concession to those fetching their own milk, made the commodity accessible to the poorest, and it had succeeded in establishing differential prices which did not merely discourage the production of milk which it was difficult to market, but discouraged the production of bad milk which should never be marketed at all. In this, it was undoubtedly helped by the position of Northern Ireland as an exporter of dairy produce, but also by the training in grading and testing which Irish farmers had undergone at the hands of their co-operative societies. The Irish experiment is already having an influence on thought in Great Britain.

Pigs and Bacon

(i) *Great Britain*

A Reorganisation Commission for the Pig and Bacon Industry was appointed in April, 1932, and reported in December of the same year. In the following month two schemes, based on the findings of the Commission, were submitted respectively by the National Farmers' Union for the producers and by the Food Manufacturers' Federation for the curers. Public inquiries were held, at which objections were heard from meat traders, auctioneers, the feeding

stuffs trade and the consumers' co-operative movement. Certain modifications in detail resulted. The schemes had to await the passage of the 1933 Agricultural Marketing Act before being laid before Parliament. The assent of Parliament obtained, they were submitted in August to polls of producers and curers. The Pig Scheme was approved by no less than 99 per cent. of the registered producers. The majority of curers in favour of the Bacon Scheme only slightly exceeded the two-thirds necessary to secure adoption, but it included most of the larger curers, controlling 92 per cent. of the entire factory output. A measure of price fixing was adopted almost at once, but the scheme did not come into force until November 1, 1933.

The proposals in their essence placed the industry on a basis of forward contracts and protected it by quotas from foreign competition. The schemes provided for the formation of two independent and self-governing boards, one for pig producers, the other for bacon curers. Both boards were provisionally directed by " the persons named in the scheme ", that is to say, by the promoters, but a poll was held in February, 1934, at which directors were elected on a regional basis. Only bacon pigs were affected, and sales or sellers of pork pigs or stores were outside the scheme. The basis of the whole scheme was the contract on which alone pigs might pass from the producer to the curer. The terms of this contract were to be fixed periodically by agreement between the two boards. It laid down grades, prices, quantities and dates of delivery. The quantities for which contracts were made might form in turn the basis for restriction of imports. Group contracts might be entered into by small producers through a group agent who was responsible for delivery. Group contract pigs were intended to serve as a reserve from which the Pig Board could make up deficiencies in supply. The Bacon Board paid 1s. per pig extra and the group agent claimed the same commission. The Board was authorised to charge 2s. 6d. per contract and up to 1s. 6d. levy per pig.

The Pig Board received various powers, potentially important. It might itself buy pigs for re-sale and in the

case of "surplus" pigs—that is, those which it failed to sell in fourteen days—it might manufacture them into bacon or other commodities. It might compulsorily reduce the number of pigs which might be sold by registered producers. It might sell pig producers' requirements. It might make levies and advance up to two-thirds of the anticipated value of the producers' output. The Bacon Board might fix the quantity and type of bacon which curers might place upon the market and which in any case might only be derived from (1) pigs on contract through the Pig Board; (2) pigs produced by the curer; (3) imported pigs forming part of the permitted quota of the country of origin.

The first contract period was for the four months ending March 1, 1934, and was experimental. Producers might contract for any number of pigs and any date of delivery. The scheme provided in general terms for a 5 per cent. toleration in the numbers delivered on annual contracts and a 10 per cent. toleration in any one month. The price was based on the estimated cost of production, plus quality grade.[1] The Board claimed a levy of 1s. 2d. per score for overhead expenses, and a further 3d. was payable for collective insurance. The price was not expected to give the farmer a profit, the cost basis was disputed and some doubt was felt as to whether contracts for an adequate number of pigs would be received.

[1] The initial cost of the pig was put at 35s., a figure which does not seem to have been seriously disputed, with 10s. for overhead costs, stated by farmers to be much too low. Feeding stuffs were put at 7s. 6d. per cwt. based on a standard ration of 65 per cent. barley meal, 25 per cent. middlings and 10 per cent. meal rich in protein, and it was further assumed that 4·2 lbs. feeding-stuffs made 1 lb. live weight. Pigs were classified according to dead weight in 4 classes—Class 1, 7 score—8 score 10 lbs.; Class 2, 8 score 11 lbs.—9 score 10 lbs.; Class 3, 9 score 11 lbs.—10 score 10 lbs. There were also established 5 grades, of which the standard grade (C) was a white or mainly white pig conforming to the required measurements with Grades A and B superior and commanding a premium of 1s. and 6d. per score respectively, and Grades D and E inferior and subject to deductions of 3d. and 6d. per score. Pigs in the heavier classes were also subject to deductions. (A score = 20 lbs. dead weight.)

Import restriction was determined on the following basis: it had been estimated that the normal annual consumption of bacon in Great Britain was 10,670,000 cwt., a figure arrived at by adding an estimated home production of 1,750,000 cwt. to the average retained imports for the six years 1925–30. The imports for the years 1931 and 1932 were omitted as abnormal and due to the combined effects of the English pig cycle and the agricultural crisis abroad. Doubts were expressed in some quarters as to the wisdom of fixing so low a figure in view of the conditions of home consumption and the possibility of expanding the trade in cheap bacon, but the Boards seem to have been completely taken by surprise when contracts were received for a quantity of pigs said to be capable of producing about 3,000,000 cwt. of bacon, an excess of more than 70 per cent. How far this was due to miscalculation, to a switch over of pigs normally destined for the pork market or to the holding up of supplies during the period immediately preceding the operation of the scheme, cannot be decided with certainty, but simple miscalculation probably played the largest part.

The first result was the reopening of negotiations with the export countries, the most important of which is Denmark. The Anglo-Danish Trade Agreement of May, 1933,[1] allocated to Denmark not less than 62 per cent. of the total foreign supplies of bacon and ham. A reduction of 17 per cent. as compared with the corresponding quarter of 1932 had soon after been imposed. It now became necessary to impose a further cut of 16 per cent. This—a drop of about £2,500,000 in the value of their exports—the Danes, not unnaturally, refused to accept on the so-called voluntary basis, and an order was therefore made imposing the reduction until February 18, 1934. This action, though inevitable, was open to criticism for the suddenness of the change and for its probable adverse effect on exports.

Another aspect of the unexpected glut of pigs was the apparent incapacity of the home market to absorb the

[1] See p. 108.

increased quantity of English bacon. Prices which had begun to rise with the initiation of the scheme, once more fell. Exporting countries were accused of deliberately lowering the price of foreign bacon in order to drive out the English article. But it seems clear that on the contrary there was something like a scramble for the restricted quantity of Danish bacon, and that the price rose while the price of English bacon remained relatively low, simply because it was unwanted by the consumer. However this may be, the curers soon complained that they were losing heavily, a loss of £1 per pig being quoted in one instance. At the same time, the fall in demand seems to have been general, and there were rumours that curers were refusing pigs and repudiating contracts, while a surplus remained on the hands of the Board.

At this point, the Government intervened, and offered a loan to the Bacon Board to be allocated to factories and used for the purpose of making up the guaranteed price. This loan was fixed at a maximum of £500,000, and was to be recovered later by a levy on pig producers. By these means, curers were ensured against loss up to the end of February, 1934. This expedient was not wholly pleasing to farmers, who complained that, in effect, they were deprived of their guaranteed price, and there was a tendency to criticise the efficiency of factories. The curers' losses, on their own admission, did not continue beyond January, 1934, by which time the glut had been surmounted and, in fact, not more than £160,000 was expended in compensation. In March, repayment was begun by means of a levy of 7s. 5d. per pig, and was completed by the end of 1934.

During the two months, March–April, 1934, the price was fixed at 12s. 6d. per score, with a levy of 6d. per score deducted, that is virtually the same as the preceding terms, but in May, an eight months' contract was drawn on what was rather loosely called a co-operative basis. A basic rate of 85s. per cwt. bacon was chosen and equated with the rate of 11s. per score for pigs, delivered at sender's station or collecting depot. Any rise or fall on the basic price of bacon during the first five months was to be shared

equally between producer and curer. During the last three months of the contract period, it was provided that out of any margin above 98s. per cwt., 75 per cent. should be allotted to the producers. Further, prices were to rise or fall 3d. for every variation of 3d. in the price of feeding-stuffs. The grading was somewhat tightened up at the same time.

Contracts came in rather slowly for the new period, and a certain extension in time was granted. Though there had been a considerable rise in pig prices, brought about, it was said, almost wholly by the quota, the prospect of sharing the risks of the market with the curers was not welcome and the price of pork was high. There was a tendency to contract for deliveries in the autumn, the period of naturally heavy supplies. Many factories were said to be still 40 per cent. short of capacity. It had been originally laid down that, after the first contract, increase might only be at the rate of 30 per cent. a year, with a limit of 10 per cent. in each period of four months. The first rapid increase seemed to have made this restriction needless for the time being. On the other hand, there would appear to have been a certain improvement in the quality or at least the suitability of pigs, though they still fell short of requirements. Before the scheme was initiated, it had been suggested that not more than 25 per cent. would be suitable for prime bacon. Experience of the scheme showed that not more than 50 per cent. were definitely unsuitable, though this was hardly a brilliant showing. The proportion of pigs fetching bonus or even basic prices was small in the first contract period, but by the summer of 1934 some districts at least reported an improved level. Complaints were still made of the irregularity of supplies and the failure to fulfil contracts. Prices which fell a little in the first months of the scheme rose again with the rise in the price of feeding-stuffs, which was in itself caused by the competition among pig breeders for a more or less stationary supply. October brought the heaviest contracts yet known.

New contracts were offered for the year 1935. The so-

called " co-operative " principle was retained, but certain new regulations were introduced. Supplies of pigs were to be spread over the year in the proportion of not less than 25 per cent. in the first four months and not more than 45 per cent. in the last four months. A bonus of 3d. per score was paid to those supplying a full third of their output during the first four months. This attempt to level production was made in the interests of steady work in the factories and easier adjustment of import quotas. These quotas were themselves somewhat modified by a new conversion figure for pigs into bacon at a rate of 7 per cent. lower than that hitherto used. Provision was made for cancelling of contracts if, as part of a pro rata reduction (1) contracts were insufficient to keep factories working economically; (2) restrictions on a fortnightly basis were not imposed on imports, or (3) either Board decided by resolution that prices were uneconomic. The price for heavy (not fat) pigs was slightly improved, thus meeting the complaints of the " Midland trade " and of those selling " inside " pork. At the same time, quality grading was tightened up. A flat rate of 2s. 1d. per pig was charged to cover rail transport from farm to factory, or 1s. 8d. from station to station to any distance, with a rebate for those delivering by road. This also covered deliveries of pork pigs to curers. Collective insurance had proved unsatisfactory and was brought to an end, producers being expected to arrange their insurance individually. Later, however, curers contributed 1d. per score towards insurance. The standard bacon price was henceforth to be derived from the prices received from six factories, three chosen by the producers and three by the curers. An autumn glut was anticipated, owing to the increased number of sows, and provision was made for supplementary contracts to be allocated to curers selected by the Board.

But farmers were dissatisfied with the new terms, which it was felt had been modified in favour of the curer. The insurance system and the flat rate for railway transport (" paying railways for not carrying pigs and farmers for not insuring pigs ") were much criticised, the latter being

especially opposed by the consumers' co-operative movement. On the other side, it was pointed out that formerly factories had taken pigs from all the nearer farms before drawing from those more distant.

Contracts came in slowly, and in the spring of 1935, a further supplementary contract was offered. High pork prices, however, seemed to exercise a stronger pull. It was suggested that the contracting farmers were, in fact, holding the market for those who sold outside. In some districts outside prices were further raised by farmers buying pigs to fill contracts. Although the repayment of the compensation loan was completed and prices should have been 4d. to 5d. per score higher, it was clear that what had been during the first period a premium of 10s. to £1 on contract pigs, had been almost reversed. In April, contract prices fell by something like 7s. per pig. Defaults amounted to over 6 per cent., and the Board was reluctant, perhaps too reluctant, to carry out coercive measures. The impossibility of filling the contract became apparent in May, 1935, and the Board agreed to make good the deficiency up to 70 per cent. of each curer's stated requirements. This would have authorised the Board either to buy in the open market, or, as in fact happened, itself to default under a small penalty and allow the curers to buy in the open market.

The Pig and Bacon Boards reported early in 1935. The turnover of the scheme was in the region of £10,000,000. Contracts for the period March–December, 1934, had numbered 1,325,342, of which 249,848, or 18 per cent., were group contracts through 398 agents. At the beginning of 1935, contracts stood at 1,799,687 and were still open. Only 146,712, or 8 per cent., were group contracts. The Pig Board announced a sound financial position, increased pig production, a better type of pig and reduced monthly price fluctuations.[1] Registered curers numbered 630. It was

[1] The variation between the highest and lowest prices was:

1931	4·5d. per score.
1932	2·6d. ,, ,,
1933	2·8d. ,, ,,
1934	1·1d. ,, ,,

claimed that factory costs were down, that production was more efficient, and that some extension of plant had taken place. Some difficulty had been experienced in allocating pigs to factories, and though the retail price was not above that for 1928–30, it was recognised that consumption could not stand any severe price shocks. Quota arrangements had been found imperfect and involved seasonal inequalities, but regulations had been tightened up and the margin of tolerated excess reduced.

The Bacon Development Scheme, which had been under discussion ever since the Reorganisation Commission reported, was now issued in a revised form. The Development Board was to consist of four representatives each of the two existing Boards for pigs and bacon, together with three independent members nominated by the Government. It had power to appoint Advisory Committees, including one of retailers. The Board, with the consent of the Pig and Bacon Boards, might take over all the functions of the two Boards connected with the regulation of sales by producers, including prices, grades, insurance, terms of contracts and their confirmation, as well as with the grading of bacon and the kinds and qualities to be sold. It also had wide powers in other directions, including the licensing of bacon factories and the closing of redundant or inefficient factories, with or without compensation. The expenses of the Board were to be met by a contribution not exceeding 4d. per pig from each of the subsidiary boards. The National Farmers' Union pressed for the adoption of the Development Scheme, but they also proposed levies both on imported pigs and on the higher-priced pigs sold on the open market. The idea of an import levy, coupled with larger imports, found favour with those who were watching with anxiety the decline in consumption and the abiding consumers' preference for Danish bacon, and this view appears to have triumphed, for in June, 1935, the Minister for Agriculture announced that from the beginning of 1936 it was proposed that permitted imports should be increased, subject to a small charge which would be used to assist the home industry. As under the Wheat

Act, the subsidy was to diminish as production expanded.

It is difficult to arrive at even a provisional estimate of the results of the pig-bacon scheme. It seems to have been initiated at that point in the pig cycle when, prices having reached a minimum, the contraction of the pig population had set in. At the same time, imports had been rising with a rapidity that was claimed to be greater than that of the usual cyclical increase. The operation of the scheme was undoubtedly accompanied by a substantial increase in the pig population, an increase which was estimated at 30 per cent. How far this was due to take place anyhow, is difficult to say, nor is any precise information available as to the adjustments which took place between the pork and bacon trades. The changes in imports are more easily ascertained. Imports of bacon into the United Kingdom in 1932 were, roughly, 12 million cwt.; in 1934 they had fallen to 8·3 million cwt., although Dominion imports had more than trebled. This was a reduction of 30 per cent., which gave the home producer about 25 per cent. instead of 15 per cent. of the trade. It was estimated that the increase in consumption of home bacon was 68 per cent. for Great Britain and 80 per cent. for Northern Ireland. The cost of imports, however, had remained practically stationary at £30,000,000. At one point the price of Danish bacon had risen from 56s. to 98s. per cwt. This was naturally reflected in retail prices, which had risen at the beginning of 1935 by 3d. a lb., or, in some instances it was said, as much as 4½d., constituting a considerable burden to the purchasers of the cheaper grades, and definitely checking consumption. Later, a slight drop took place. It was pointed out, however, that these prices did not exceed those ruling in 1928–30. It is not so clear how far this increase was passed on to the producer. An increase of 30 per cent. in the price of pigs in Scotland was claimed in the beginning of 1934, but by the autumn it was stated in the same country that the increased price of bacon had been accompanied by a wider producer-consumer margin,

and the English rural press was complaining that farmers got less for their pigs, while labourers paid more for their bacon, and that a high demand for the smaller quantity of Danish bacon had been accompanied by a low demand for the English article, so that the rise in the Danish price had been both absolute and proportional. There were complaints of the " margin ", which represented 50–60 per cent. of the value of the article, so that the producer, blamed for the high price of bacon, was inclined to retort the charge on the middleman. It was also stated that while the price of pigs had fallen not only the price of bacon but also that of feeding-stuffs had gone up.

After the first panic over excessive supplies, it would seem that, although the levy did not in all cases cover the losses of the initial period, the curers did well out of the scheme, at least, if the published returns of the few farmers' co-operative bacon factories may be taken as a criterion. The running costs of factories still appear to be high, a fact which may be attributed to the irregular and insufficient supplies or to the small scale and doubtful efficiency of many factories. Contracting has undoubtedly been below the level warranted by pig population, and there have been complaints of poor allocation of pigs to factories. It was pointed out by critics that the 600 registered curers in the United Kingdom did not compare well with the 80 Danish factories handling five times the output. The substitution or wider use of the Danish method of tank cure was also advocated. The powers of the Development Board to acquire inefficient or redundant factories had yet to be exercised.

Many of the complaints of trading interests, expressed very vigorously when the schemes first came under examination, appear to have died away completely. The market towns and auctioneers seem to have found their fears of declining business unjustified. The curers' complaint that in the first contract the price of pigs was fixed but not the price of bacon was, of course, met by the profit-and-loss-sharing " co-operative " contract. Many of the powers of the Board which were most objectionable to established

interests remained unexercised. The Board itself did not slaughter pigs nor did it retail feeding-stuffs, though the rise in the price of feeding-stuffs which developed in 1935 might have justified it in doing so. The controversy between curers and farmers as to the import of frozen pork for manufacture into bacon also appears to have subsided as the scheme came into operation.

The objections of the industrial co-operative movement were more enduring. The movement not only represents the consumer, it is producer, manufacturer and distributor of bacon, owning farms in England and Scotland and factories in England, Ireland and Denmark. Its responsibilities and interests are therefore complex. The Danish quota damages its manufacturing interests in Denmark. The licensing of factories in England may put it at the mercy of a Board of which the majority has little sympathy with the co-operative movement, and new factories have been hastily acquired or constructed to meet that possibility. The limitation in the number of curers' pigs threatens any expansion of the co-operative factory farm supplying direct to the co-operative curing plant. All forms of statutory price-fixing limits the powers of the co-operative movement to reduce prices to the consumer. A rise in producers' prices affects the co-operative movement in common with other businesses, and the railway transport levy is particularly irritating to an organisation possessing its own transport.

Criticism from the farmers' side has usually taken the form of a general prejudice against regulation or complaints of the particular terms of a contract, particularly the " co-operative contract ", which was felt to operate against the farmer, especially at a time of falling bacon prices and rising feed prices. The effect of competing foodstuffs was said to be largely ignored. An insufficiency of graders was experienced in some districts, and the standard was said to vary as between factories. Import quotas were criticised. There was dissatisfaction with the tendency to relax the quota in the summer of 1934, but the fear that foreign exporters would deliberately upset markets by irregular

supplies seems to have been groundless. Some farmers hankered after an import levy to be used to maintain home prices or pay a bonus on contracted pigs; others pressed for still stricter regulation, the inclusion of pork and the calculation of import quotas on production, not contracts. The suggestion that the scheme would be wrecked by the unregistered producers and unregistered curers seems to have been unnecessarily alarmist. On the other hand, farmers did little to organise production; they still alternated recklessly between pork and bacon, and the old co-operative trouble of the " man outside " doing better than the loyal supporter was the main reason for inadequate contracting in 1935, while the permission to bacon factories to buy in the open market was in some ways a breakdown of the whole principle of organised marketing.

A proposal that the contract should provide for an agreement made at any time to supply pigs at a date six months distant was put forward by a group of producers and rejected by the Board on the ground that it was, in fact, only a contract for one month, requiring monthly registration, that it was no basis for a bonus and encouraged " in and out " production. The system of group contracts raised its own problems. It was at first disliked by the curers as involving long-distance and costly shipments. It was praised as a valuable means of regulating supplies and criticised as being unsatisfactory and operated by dealers. The proportion of group to direct contracts undoubtedly fell, and it was suggested that the small men were dropping out of the scheme, which was dealing with more pigs but fewer contractors. There was a general feeling that the curers, a small, compact body, and the only outlet for bacon pigs, had gradually worked themselves into a position of greater and greater power, and had dictated less and less advantageous terms to the farmer. A proposal for more farmers' co-operative bacon factories does not seem to have been taken up, though the existing societies prospered. From the national point of view, the principal criticisms of the schemes related to their effect (1) on export trade, and (2) on prices and the effective demand of the

consumer, a question which involves, among many others, the manufacturing margin.

(ii) *Northern Ireland*

In Northern Ireland the bacon trade was traditionally based on farm-killed pigs delivered to bacon factories. There was also a considerable export trade to Great Britain in both bacon and pigs. Both Bacon and Pig Marketing Boards for Northern Ireland were set up. The Pig Board was nominated by the Ministry in October and replaced by an elected board in the following March. It was hastily organised and at first attempted little beyond the fixing of dead pig prices (the prevalent method of sale) by negotiations with the Bacon Marketing Board. The Pig Board also agreed to buy live pigs at a stipulated price but early experienced difficulty in disposing of its pigs. Supplies were irregular. The curers of Northern Ireland clung to the limited roll bacon and ham trade; they complained that the Board's prices were too high and were in turn accused of breaking both price and regular purchasing agreements, of buying from the Free State and of attempting to wreck the scheme. The Pig Board met the situation by trying to increase live purchase either for re-sale or for killing in Belfast, followed by curing or cold storage, and also purchased dead pigs. Live sales were opposed by the Pig Dealers' Association in the autumn of 1933. The Pig Board accepted, rather unwillingly, the loan from the Government intended to compensate curers for their losses. In the spring of 1934, over-contracting by English producers had starved the pork market and there was a corresponding rise in Northern Ireland prices. The Northern Irish quota seemed likely to remain unfilled, entailing a reduction in future years. For a short time, exports were restricted. A new system of price fixing was devised based both on bacon and ham prices and on the costs of feeding-stuffs, as in the scheme for Great Britain. At the end of the year, owing to continued friction between the Pig and Bacon Boards, a Bill was introduced setting up a Pig Industry Council, with power to control bacon production, licence

factories, allocate quotas, collect Bacon Board levies for transmission to the Pig Board, and prosecute curers not paying the standard price. The members of the Council were to hold their seats at the pleasure of the Ministry of Agriculture. At the same time the Pig Board took over the live pig trade at prices comparable to the agreed rate for pork carcases. Grades were established and all profits or loss were to be distributed to the producers. The Board has also worked on grading, improved slaughtering and the introduction of the Wiltshire Cure possibly by means of a new factory supported financially by the Board. A levy has been used to subsidise the export of live pigs to England and so keep up the price of those sold to Northern Ireland curers. Up to this time, prices in Northern Ireland have remained lower than in Great Britain, though the Board claimed to have stabilised them at about 58s. 6d. per cwt. as against rapid fluctuations round an average of 41s. 3d. in 1932. In the same period, the pig population had doubled.

POTATOES

The imports of potatoes into the United Kingdom (Great Britain and Northern Ireland) are not constant, but rise and fall in inverse proportion to home production, in some years practically ceasing. The average imports have not been more than 10 per cent. of consumption, and in spite of popular belief, it is doubtful if they had much effect in lowering prices. The year 1932 had seen a short crop in England, high prices and considerable imports, in spite of the raised tariff of £1 per ton on main-crop potatoes, a still higher duty on new potatoes, and the depreciated currency. In the autumn of 1932, proposals for increased tariffs, especially on new potatoes and for an extension of the period in which potatoes were treated as new, were being pressed on the Government, but with inconclusive results. Scotland also proposed a levy to be used for developing fresh outlets.[1]

[1] Scotland produces a quarter of the ware (edible) potatoes consumed in Great Britain and a larger proportion of the seed potatoes ; acreage in 1932 was on the increase. Ireland is also a producer of seed potatoes and the industry is extending.

A scheme for the marketing of potatoes was in preparation by the Holland (Lincoln) branch of the National Farmers' Union as early as the beginning of 1932. It was supported by Yorkshire and Durham, and by the autumn, negotiations were opened between the N.F.U. Potato Committee, the National Federation of Fruit and Potato Trades' Association, and certain Scottish bodies. In January, 1933, the English and Scottish Growers and Merchants met at York to put up an agreed scheme to deal with 75,000 growers and a crop estimated at about 4½ million tons (1932) and worth anything from £12 to £24,000,000 on the farm. The scheme was published in the following month. It provided for a Board of 32 members, 23 producers, elected by members voting on an acreage basis, including 5 (later 6) from Scotland, 6 merchants (one for every 30,000 acres), and 3 special members. The problem before the Board was set forth as the excess occurring in certain years, and the remedy proposed was that in such years the lowest quality should be removed from human consumption by the simple instrument of a riddle, the mesh of which could be determined from time to time, all potatoes passing through being excluded from sale. The basic size suggested was 1½ inch, which could be raised or lowered as required. In addition, individual sales quotas might be allotted. A further restrictive measure was a levy per acre (10s.) and an increased levy (£2 10s., later increased to £5) for future extensions. Ownership of basic acreage appears to adhere to the producer rather than the land, but no case has yet been tested in the courts. Seed potatoes were excepted and the exception might be extended to other classes, including earlies. Apart from such exceptions, the sale of potatoes was limited to registered producers, and the Board might regulate not only size but also the types of potatoes, and the terms on which they might be sold. For example, the sale of "smalls" was definitely prohibited except in the month of August. The Board would estimate the crop each September and decide the quantity and grade which each producer might sell. It might further decide to or through whom certain classes of potatoes might be sold. It was

not, however, proposed to control the destination of small lots of potatoes, sales by producers on markets, new potatoes or sales to manufacturers, and only after special application, sales to retailers, caterers and institutions. Sales on commission might be prohibited after a special poll. The Board might itself sell or manufacture potatoes which were surplus to the permitted quantities, and provision was made for advertisement and for research in the use of potatoes for stock feeding, alcohol, farina, etc. It was not anticipated that all these powers would be exercised. The scheme had the support of the potato merchants, many of whom were also potato growers on a small or large scale, and it is perhaps not unfair to trace their influence in the character of the scheme. Except for some attempt to exclude undesirable dealers by drawing up a list of "authorised merchants" the usual channels of trade were left undisturbed, nor were powers taken to fix prices. While the latitude allowed to direct producer to consumer trade was condemned by merchants' representatives, complaints were heard that the members of the preliminary Board were "all dealers" and the proposed restrictions on entering the industry and increasing production were resented. Other criticisms were that the scheme benefited the large rather than the small producer, and that the small potato was not inferior as food. Northern Ireland feared exclusion from English markets but was pacified with a quota and a first claim to any increase. Negotiations were also opened with the States of Jersey Agricultural Committee. A rival scheme was put forward by the Scottish Chamber of Agriculture but later dropped. The main scheme was, unlike those for milk and pigs, the product of the industry itself, unassisted by a reorganisation commission.

The scheme was accepted by the Ministry of Agriculture practically without amendment, though the Scottish representation was slightly increased, but a legal difficulty arose in Scotland, where the opposition obtained an interim edict in the Court of Session, and the scheme did not come before Parliament until November, 1933. At that time prices (£3 per ton) were said to be falling and imports rising.

Growers were urged to vote for the scheme as the only means of securing import control, and the scheme was finally adopted by a 90 per cent. majority of the registered producers controlling 90 per cent. of the acreage. The scheme came into force at the beginning of 1934. The acreage basis was fixed at either that of 1933 or a three years' average or, for the small grower, the peak of the past seven years. Grading proposals remained in abeyance. Though it was decided not to attempt price-fixing, supplies might be withheld from undercutting retailers. Merchants contributed a flat levy of £5 a year and wholesalers were defined as selling over 250 tons, with a possible reduction in some districts. Merchants growing potatoes were not required to register. Early potatoes were virtually excepted until August. Proposals were made for the subsidised transport of potatoes to other areas. The use of the riddle was compulsory for the period September–July. The duty on ware potatoes during 1933 was £1 per ton, and that on new potatoes was 4s. 8d. a cwt. during November–July.

The elections to the Board took place in October, 1934, and a report was presented to the meeting held to elect the five special members. The policy of the Board was explained as the restriction of early potatoes by the establishment of closing dates and also the limitation of imported main-crop potatoes. The object was to raise prices 40s. above those of 1933 and 30s. above those of 1932. Acreage had been slightly reduced during the past year. By an order of the Board of Trade, the importation of main-crop potatoes, which had for some time been subject to voluntary restriction, was prohibited without licence. An association of potato importers was set up and importers were allotted quotas, calculated on the average of their imports for the last three years; the total permitted import was, however, based on that of 1933. This was criticised on account of the irregularity of total imports (ranging from 3,000,000 to 22,000,000 cwt.) which made even a three years' average of little value, and on account of the demonstrable fact, already referred to, that imports have never been known to result in a collapse of prices, while low prices have con-

stantly been attributable to heavy home production. The Board initiated a market intelligence service. Undercutting of the retail price in Scotland was checked by prompt intervention.

By the beginning of 1935, however, the Board had not brought about any marked rise in price and supplies were still more abundant than had been anticipated. With a surplus similar to that which threatened the Milk Board, it made a rather half-hearted attempt to find a similar outlet. Cheap milk to school children found its equivalent in cheap potatoes to the unemployed. It was arranged that a central dump should be established in Durham, supplied by wholesalers buying from local firms and transported at a cost of 10s. per ton. The unemployed received vouchers entitling them to purchase at half price, the voucher being stamped by local retailers for a fee of 1d. per stone. The scheme was to run for eight weeks from February 1, but appears to have been a doubtful success. Indeed, it would be hard to imagine a more concise demonstration of middlemen's charges without commensurate, or, in the case of the retailer, even recognisable services. Oddly enough, it was principally attacked as a form of distributive undercutting. More practical steps for meeting the situation were a more accurate census of potatoes, a tightening up of riddle restrictions and the opening of the first factory in the Lincoln-Cambridge area for the manufacture of potato meal and flake for stock feeding. This, it was anticipated, would be receiving 250 tons a week in September, 1935, paying £1 per ton on the farm. Proposals were also made for improved grading of ware potatoes. A move in the direction of more efficient marketing which had already been taken, was the abolition of sales on commission, which was decided by a poll of producers. The terms of contracts have also been clarified and improved and a list of Authorised Merchants has been circulated to producers. It is believed that considerable reduction in supplies has been secured by the various measures initiated and also by the natural wastage in clamps, while the severe frost of May, 1935, promised a short crop. It is anticipated, however, that growers will

seek to overcome mechanical checks by increased manuring in the hope of securing a heavy yield and large potatoes. In spite, however, of these difficulties, the task of the Potato Board is a comparatively simple one, and provided it does not exploit its undoubted monopoly too ruthlessly at the expense of the consumer, it may continue to perfect its regulatory machinery to the benefit at least of the established potato grower.

Hops [1]

Hops are a commodity, the bulk of which is home produced and which has for some time been protected by relatively high tariffs. The history of hop marketing is in many ways peculiar. Production was first controlled under the Defence of the Realm Act with the object of restricting acreage and output. In 1920 this control was extended by Act of Parliament for another five years at the desire of the growers. It was supposed that consumption of beer would once more increase and a provision was made for an increase in output. This proved a miscalculation, and the five years closed with a considerable surplus. Alarmed at the prospect of an uncontrolled market, the growers formed a co-operative society, English Hop-Growers, Limited, in 1925. The society controlled 90 per cent. of the acreage under hops and members agreed not to produce on a greater acreage during another period of five years, during which they were under contract to sell all produce through the Society. Neither the Control Board nor the Society attempted any important changes in the traditional channels through which the hop trade passes. Unfortunately for the Society, the demand for hops continued to decline in the years following 1925, and though members for the most part observed their engagement not to increase production, the 10 per cent. outsiders were less forbearing and quickly increased their acreage to 20 per cent. Members became restive, and in 1928 the Society went into voluntary liquida-

[1] See special article in *Agricultural Co-operation in England* (1930), published by the Horace Plunkett Foundation.

tion. There followed four years of confusion, falling prices and shrinking acreage.

The failure had been a powerful object lesson in favour of the first Agricultural Marketing Act, and under the circumstances it was not surprising that the first to take advantage of it were the hop-growers, who reorganised their association on a compulsory basis without the assistance of a Reorganisation Commission. The Hop Scheme was accepted by 92 per cent. of the producers, a Board was elected representative of the districts in which hops were grown, and the scheme came into force in September, 1932. Only registered producers were allowed to sell hops, and all such hops must be delivered to the Board, which was bound to accept them. They became the property of the Board, to be graded, packed, stored, insured and sold. An estimate of value was returned to the producer, from which was deducted the usual factors' commission. The producer might claim an advance up to two-thirds of the estimate, with the obligation to repay any sum which exceeded the price ultimately realised. This was distributed among the producers in proportion to their deliveries after deduction of any sums necessary to meet expenses or build up a reserve. Levies calculated on acreage might also be made, any surplus funds to be distributed in proportion to the sums contributed in levies and deductions. Penalties were provided for the sale of hops otherwise than to the Board.

The Board started with many things in its favour. The low prices in the uncontrolled period had reduced acreage by nearly 30 per cent., the tariff on imported hops imposed in 1925 stood at 80s. per cwt., while by its second year (1933) the reduction of the beer duties in the British Budget of 1933 and the repeal of prohibition in the United States of America combined to increase demand. The price rose to 300s. per cwt., reckoned as 100 per cent. above the cost of production. But with such a bait to newcomers, the industry was once more faced with the prospect of rapidly increasing production. In 1933 advantage was taken of the Agricultural Marketing Act of that year to introduce a plan for a five-year limitation of output established by

means of a " basic quota " allotted to each registered producer, and equal to average pickings between 1928 and 1932. Demand was then determined annually, according either to the statutory quantity, if such should be laid down, or to the Board's estimate. The estimated demand was then distributed in an annual quota in proportion to the basic quota. Hops in excess of the annual quota might also be accepted by the Board but not paid for until quota hops had been paid for according to their full estimated value. Any remaining receipts might then be distributed in proportion to the quantities of non-quota hops received. The danger that a knowledge of the existence of non-quota hops might depress the market was reduced later by price-fixing but does not appear to have been eliminated entirely. If a basic quota lapsed, persons having rights over the land on which it had been based might nominate a fresh holder. This in practice meant the landlord unless the tenant had grown hops without his landlord's consent. If it were found desirable to increase the number of basic quotas, the Board retained the right to invite applicants and allot the quota to the highest bidder.

The amendment was passed by Parliament in the summer of 1934. The brewers at the same time negotiated with the Minister of Agriculture for the appointment of a permanent joint committee of four growers, four brewers, and three independent members to control production, marketing and sale for the next five years. Agreement was reached on the basis of firm contracts for the bulk of the crop (the " estimated demand "), coupled with an arrangement by which the brewers contributed 10s. per cwt. to a levy fund to be used for the purchase and carry forward of surplus, to be deducted from the estimated demand in the following year, the estimate to be arrived at in collaboration with the brewers. This surplus might never exceed one-third of the " estimated demand ". Imports were to be regulated by a system of licences and not to exceed a yearly average of 15 per cent. of the total. All firm contracts (that is the " estimated demand ") were to be filled before general trading began. The average price for the next five years

was fixed at £9 per cwt., which it was estimated would give a profit of 20 per cent. in normal years. This price might be varied by negotiation if wages fluctuated by more than 15 per cent. Entrance to the industry was barred unless a 10 per cent. increase in demand took place, when it was laid down that new quotas must be allotted. Producers' quotas for 1935 were announced as 100 per cent. of the basic quota. It was also provided that the brewers should not be penalised if English growers failed to produce the whole of the estimated demands, and a maximum level of importation was agreed on.

During the operations of the scheme output has steadily increased. In 1934, though the brewers purchased up to the estimated demand, a heavy crop and adjustments of basic quotas produced a surplus equal to 11 per cent. of the total crop. This was not eligible for purchase by the levy fund. Quota and none-quota hops were valued at different rates so as to produce an average of just over £9 per ton, but by the spring of 1935 not quite all the quota hops had been sold, and any ultimate payment on non-quota hops appeared to depend on a short crop for 1935. Here again the frost of May, 1935, was helpful.

These measures have not escaped without considerable criticism and public controversy, notably that in which Lords Astor and Wolmer were the protagonists. Against the Hop Scheme, it was urged that a monopoly had been established, carrying with it a permanent increment on hop land in cultivation between 1928 and 1932, disabling fresh farmers from entering the industry and former growers from renewing gardens which had been grubbed in the slump. It also put a possible premium on inefficiency, since no measure seemed to be available whereby pressure could be put on inferior producers to reduce their quotas. The anticipated profits would ultimately benefit no one but the landlord, who stood to gain considerably, since quotas by a surprising and too little noticed decision had been attached to the land and not to the producer. Moreover, the home producer was restricted much more rigidly than the foreigner. It was also felt that the monopoly was

a dangerous precedent which might have much more serious results if it was adopted in the case of essential foodstuffs. On the other side it was pointed out that the whole object of the Marketing Acts was to give control to producers, that without regulation the industry would collapse and that those who had stayed in through the lean years and in some cases installed new and costly machinery, deserved the favourable position in which the new scheme would place them.

Cooler criticisms inquired whether the scheme provided sufficient elasticity to give efficiency and prevent shortage, and a suggestion based on the experience of rubber restriction was put forward for an annual revision of quotas on a three- to five-year moving average, those producing non-quota hops to qualify gradually for an increased quota and those falling below quota to be scaled down. In addition to theoretical criticism, a few complaints were heard of unfair distribution and traffic in quotas.

With Milk and Bacon, Potatoes and Hops, the first pair important commodities on the world market, the second pair something like domestic monopolies, we come to the end of the products which in 1935 were organised under the Agricultural Marketing Acts. Two other commodities, neither so important to the home producer as milk or bacon, but both even more involved in world trade, have been the subject of state planning and to some extent control. These are Sugar Beet and Wheat. With them may be included Fat Stock, displaying a curious case in which an industry, by contemplating (but not adopting) a Reorganisation Scheme, has made itself eligible for protection against imports which for political and diplomatic reasons cannot be granted, and has consequently accepted, not unwillingly, the compensation of a direct subsidy.

Sugar Beet

The growing of sugar beet in England has been attempted spasmodically and unprofitably since the early nineteenth century. During the War, assistance was obtained from

the Development Fund for the building of a factory. In 1922 the excise duty was remitted, and, as an exceptionally high customs duty was then in force, the industry operated at a profit. The import duty was reduced in the following year and a direct subsidy to home-produced beet sugar was substituted. This was confirmed by an Act of 1925, which provided for a direct unconditional subsidy on a descending scale for a period of ten years, beginning at the rate of 19s. 6d. per cwt. with a further 3s. 1½d. on molasses and excise duty 4s. 3d. per cwt. lower than the customs duty. It was definitely understood that the subsidy was intended to foster a new industry which should at the end of the ten years be capable of independent development.

A study of the history of the industry abroad might have made this proposition suspect. As stated in the Greene [1] Report, " in no case has a beet sugar industry been created without State assistance on a substantial scale and for a considerable period ", either protective duties, prohibition of imports, direct subsidy or export bounty, and though this assistance was generally reduced in the period immediately preceding the War, it has since been renewed in practically every country. In addition, cane sugar is assisted in all the main producing countries. Thus English beet sugar, originating in a country with no outstanding natural advantages making for economical production, entered a world largely walled up in specially protected areas and in which the limited free market was subject to the fierce competition of subsidised sugar, surplus to the requirements of the protected areas and therefore inevitably the subject of reckless dumping. Further, the extent to which the British market itself could be protected, was limited by the interests of the consumers on the one hand and those of Dominion and Colonial producers on the other.

During the ten years from 1924 to 1934, the assistance per cwt. of white [2] sugar provided to the beet sugar industry

[1] Committee of Inquiry into the Beet Sugar Industry appointed in 1934 under the chairmanship of Mr. Wilfred Greene.

[2] The subsidy was paid to the factories, not direct to the farmers. In 1931 a special advance, later converted into a subsidy, was

by way of subsidy plus duty preference, fell from 23s. 8d.[1] to 12s. In 1934 the assistance was renewed for one year at the same rate, and in 1935 it was again renewed at 1s. per ton below the previous rate, and on the produce of not more than 375,000 acres. The following figures show the increase in output obtained during the eleven-year period:

	Growers.	*Acreage.*	*Beet (tons).*	*Sugar (tons).*
1924–25	4,039	22,637	183,713	23,785
1934–35 (approx.) .	46,000	404,000	4,100,000	602,000

During a period of general decline in arable cultivation, the acreage of beet increased, and in 1934–35 represented 4½ per cent. of the total English arable area. Of this, more than 80 per cent. was concentrated in Norfolk, Suffolk, Lincoln and the adjoining counties. Yield per acre increased considerably. The two factories which had existed in 1924 were increased to 18, including one in Scotland, nearly all of which were in 1934–35 working to capacity. Beet was sold on annual contract to factories which were associated in two groups offering slightly different terms. In 1934, these united to offer a so-called "co-operative" contract, based on a minimum price plus an agreed share in the net receipts of the factory. The leading companies appeared to be doing well, dividends were high and shares were rising.

The cultivation of sugar beet undoubtedly did much to maintain and sometimes to increase the number of workers on the land in selected areas, though a good deal of the employment given was seasonal. There was also an increase in employment in factories, also seasonal, and in subsidiary industries. At one time the subsidy policy had to meet the criticism of the sugar refiners, representatives of a larger and longer-established industry than that of sugar manufacturing, who were confronted by the competition of state-aided beet sugar factories carrying through both

made under the British Sugar Beet Industries (Assistance) Act to such factories as chose to accept it, on condition that it was passed on to the grower in the beet price.

[1] 26s., 1925–28.

manufacturing and refining on the more economical "continuous" process. A compromise was reached with an adjustment of duties in 1928, which both provided practically complete protection against foreign refined sugar and gave a fiscal inducement to the factories to produce home-grown sugar in the raw state. An unexpected result of this arrangement was, however, to attract the factories into the refining industry, which they carried on in the off season, thus renewing the competition with the refineries. The latter, secure in their protected position, responded with reductions in prices. The factories were endangered, but an appeal for further State aid was averted by the Industrial Agreement of 1933, allotting quotas of white sugar production. The agreement was renewable annually, but the parties were pressed to put forward something more durable, and in 1934 the draft of a scheme under the Agricultural Marketing Acts was published.

In 1934, the sugar consumed in Great Britain was derived from the following sources: home, 25 per cent., Empire, 35 per cent., foreign 40 per cent. This result had been achieved by the payment of a subsidy of £40,000,000.[1] Both the financial importance to different classes, as well as the artificiality of the industry is illustrated by the following quotation from the Greene Report:

"(1) Of the total receipts from sugar and other products, £66,940,351, over 60 per cent. (£40,292,077) was provided by State assistance. In spite of the fall in the rate of subsidy, this proportion has been fairly steady throughout the period, owing to the parallel fall in the world price of sugar.

"(2) The total receipts have been divided between farmers and factories in the proportion of about 3 : 2, taking the period as a whole. But the farmers' proportion has tended to increase, and in the last subsidy period (1931–34) it has been approximately two-thirds of the whole.

"(3) Over the whole period, the total State assistance almost exactly equals the amount paid for beet . . . up to

[1] As against about £12,000,000 realised to the revenue by the sugar duties in the same period, a sum which, however, would have been larger by £10,000 but for the remission of excise.

1930, factory costs, capital charges and profits exceeded the purely commercial receipts. Since 1930, the factory charges have been less than the commercial receipts, a part of which has been available to supplement the price paid to the farmer for beet."

In February, 1934, the draft Marketing Scheme for the sugar industry was introduced by 22 companies, concerned with both manufacturing and refining, representing practically the whole British production, with a capacity of four million tons and an actual output of about two million. The scheme provided for a Board consisting of equal numbers of manufacturers and refiners and for the control of output by the allocation of quotas to all registered producers of sugar in proportion to sales during 1930–32, with a fine for exceeding the quota up to £500, plus half the value of the excess sugar sold. With such a power to hold prices, it was considered that the industry could continue without the subsidy, which would have meant a victory for the refiners. Public inquiry into the scheme was postponed until a committee (the Greene Committee), charged with more extensive inquiry into the industry, could bring in its report. Meantime, the scheme met with criticism from distributors and especially from the consumers' co-operative movement. It was pointed out that the scheme was one for a monopoly, that it involved a subsidy from the consumer instead of from the taxpayer, and that sugar refining was too remote from British agriculture to be a deserving candidate for the privileges of the Agricultural Marketing Act. Further, from the agricultural point of view, the stabilisation of quotas was criticised on the ground that it did not provide adequately for a rotation of crops. A Sugar Beet Marketing Scheme put forward at the same time conformed more closely to other agricultural marketing schemes and was subject to less criticism.[1]

The Greene Committee examined and deprecated the

[1] It provided for a Board of 16 different representatives, 3 special and 2 co-opted members, and covered England and Scotland. All producers were to be registered (except those with less than one-eighth acre of beet). On a poll, voting was to be by acreage. The

Sugar Marketing Scheme. In its place the Majority Report proposed the appointment by Government of a Permanent Sugar Commission, independent of the industry, with powers of control and supervision in the interests of the community; the unification of the existing factories in a single corporation; the limitation of output to an acreage sufficient to secure the throughput necessary for the efficient operation of the existing factories and a limitation of factories to those already in existence; obligation on the part of the factory corporation to purchase the full output of beet at a price negotiated with the growers; a subsidy to make up the actual price realised for sugar to a sum covering an estimated figure for beet costs, fixed overhead charges, depreciation, interest on capital and a processing margin, the costs to be calculated on the basis of efficient production; abandonment of the "co-operative" contract; abolition of the fiscal discrimination against factory-produced white sugar, and permission to carry on refining up to an established maximum (600,000 tons per annum); power to regulate the price of refined sugar; and the adoption, subservient to the powers of the Sugar Commissioners, of the Sugar Beet Marketing Scheme as a growers' bargaining organ.

All such proposals, however, depended on the more fundamental question whether or not the beet sugar industry should continue to be fostered in this country. The majority report of the Greene Committee expressed the opinion that there was no reasonable prospect of the industry becoming permanently self-supporting or of its competing successfully with cane sugar. Little importance was attached to the non-agricultural advantages of maintaining a subsidised industry either as insurance against high prices or against shortage in time of war, while on the assumption that, "if the money were not spent by the State on the sugar beet industry it would be spent in some other way either by the Government or the taxpayer, who would be relieved from

Board was to be authorised to classify beet, determine prices, manner of sale and purchase and to limit the quantity which might be sold. It might also buy, manufacture, sell, become a party to all contracts, fix delivery dates, etc.

this burden, the issue is merely one of which particular subsidiary industries and which particular class of employment it is desirable to benefit ".[1] The agricultural advantages, such as the value of beet as a rotational crop, were appreciated, but it was pointed out that they by no means offset the heavy cost to the State. Finally, regarded solely as a relief measure, the assistance to beet was declared as " extravagant and inequitable ". It was sectional and haphazard and " over the whole period of the subsidy, the cash payments to the farmer for beet have only just equalled the cost of assistance . . . the same acreage of beet could in fact have been, and still could be, secured as cheaply by paying farmers to grow sugar beet and keep them on the farm for use as they thought fit ". Further, the cultivation of beet sugar was no traditional element in English farming, the omission of which would destroy the established balance of agriculture. The Committee, therefore, recommended the discontinuance of assistance with a certain compensation to growers for a period of three years at a tapering rate.

The minority report, on the other hand, regarded the continuance of assistance as more than justified by the accruing advantages, among which were emphasised the increased productivity of agriculture in the United Kingdom, the influence of a home supply on sugar prices, the advantages to coal-mining, transport, etc., and the assistance to smallholders, beside the strictly agricultural advantages, both technical and by way of relief. The minority report therefore recommended the continued assistance of the industry by means of the remission of excise duty and a levy on all sugar similar to that adopted in the Wheat Act; the formation of a growers' Board under the Agricultural Marketing Acts, the unification of the manufacturers in a single corporation, and the appointment of a permanent Commission to " exercise surveillance " and " ensure the effective operation of the plan as a whole ".

Vigorous protests against the proposals of the Majority

[1] It was pointed out by Dr. Murray that the employment of 9,900 workers on 350,000 acres of beet land was a low figure, since employment for such an acreage should have been nearer 35,000.

Report were immediately voiced by the National Farmers' Union, the land workers' unions, the Central Chamber of Agriculture, the Conservative Party's Agricultural Committee, the sugar factories and the transport companies, both in England and Scotland. General support was given to the Minority Report. The County Councils Association also protested, declaring that without a subsidy land would go out of cultivation, tenants be adversely affected and smallholdings discouraged. In the meantime, the beet sugar subsidy has been extended until August 31, 1936, at an estimated cost of £2,750,000 on 375,000 acres. This is calculated on the basis of an average price of 4s. 6d. a cwt. for raw sugar and a subsidy of 5s. a cwt. The subsidy on molasses is discontinued. During 1935, Ulster farmers began to agitate for a beet sugar subsidy.

Wheat and Other Grain

The idea of a subsidy to wheat-growers dates from the Corn Production Act of 1917, which coupled a guaranteed price for wheat with a standard wage for the farm labourer. It was repealed in 1921, and there for eleven years the matter rested. The Wheat Act, passed in the spring of 1932, provided for a subsidy or " deficiency payment " to bring the price of millable wheat up to 10s. per cwt. or 45s. per qr., so long as the total crop, after deduction of 7½ per cent. for seed, does not exceed 27,000,000 cwt. If the crop exceeds this total (as happened in 1933–34) the subsidy is proportionately reduced. The subsidy is not paid by the Treasury but is derived from a levy on imported flour and on flour milled in Great Britain. This is paid by the millers but passed on to the consumers. This levy has been from 4s. to 4s. 6d. per sack. The subsidy is payable at the end of the crop year (July) but advance payments have become usual. The value of the crop is about £7,000,000, and the payments have been in the neighbourhood of £1 per qr. or not far short of half the total price. The system has not been changed except to tighten up the regulations preventing fictitious sales and the payment of subsidy on non-millable wheat. It has given satisfaction to farmers, about 86,600

of whom are affected, and has led to an increase in wheat production up to about the pre-War level, though the actual increase in acreage was exaggerated by the high yields of 1933 and 1934. In 1934 the acreage was even reduced somewhat owing to the rival attraction of a high barley price in 1933, but as the price of barley fell in 1934, perhaps in response to the increased output, a 5 per cent. increase was anticipated for 1935, bringing the total area up to about 1,800,000 acres with an " anticipated supply " of 32,000,000 cwt. Early in the year, a statutory committee was appointed to review the standard price of wheat. It reported (June, 1935) in favour of a continuation of the existing rate and commented favourably on the improved position of farmers in the Eastern Counties as well as on improvement in wages superior to that in other parts of the country.

The wheat, together with the beet, subsidy has undoubtedly made for prosperity in East Anglia, but is also difficult to defend on economic grounds. Although on a fair area in the East and Eastern Midlands (perhaps a million acres of second-class land) wheat can be grown economically if modern mechanical methods are adopted, it is not a generally suitable crop for encouragement in England under present world conditions; it was less than 2 per cent. of the agricultural output in 1931; labour requirements are low, and the subsidy method gives no stimulus to efficiency; rather it stimulates production in wholly unsuitable districts,[1] and the best that can be said is that it has somewhat relieved the pressure on dairying. On the other hand, the consumer naturally objects to a payment, sometimes amounting to 4½ millions in one year, an objection which the consumers' co-operative movement has forcibly expressed.

The barley position is more complicated. A good deal of unrest has been apparent among barley growers and there has been talk of a marketing scheme, of a subsidy for malting barley, or, alternatively, for some method linking feed barley with the Pig Scheme. The difficulty lies in the impossibility of distinguishing between malting and feed

[1] It has been suggested that " half the subsidy goes to the wrong growers "

barley and their directly opposite rôles in farm economy. Imports are made up of about 80 per cent. feed as against only 20 per cent. malting barley, and a tariff is thus virtually impossible. An ingenious scheme was canvassed in the agricultural press by which a marketing board should be set up for the sale of feed barley with power to fix a minimum cost-of-production price for malting barley, leaving the farmer free to sell to the best advantage above this figure. This was to be coupled with an import levy on all barley, to be used for a deficiency payment on home-grown feed barley. Nothing definite, however, has emerged except an understanding between the brewers and the Government that more English barley would be used if the beer tax were reduced, and it has been complained that this has not been observed.

Oat growers in Scotland have also demanded a subsidy and already enjoy a tariff and a measure of voluntary reduction of imports by Canada.

Meat

The production of beef represents 35 per cent. of the total English and 54 per cent. of the total Scottish agricultural output. The industry is said to represent £1,000,000,000 in investments and a million workers. On the other hand, 53 per cent. of the meat consumed in Great Britain is imported (1935), and in recent years the industry has probably declined since low prices and increased sale of liquid milk have both had an adverse effect upon breeding and rearing, as has the general modification in diet and lowered consumption of meat by the public.

The development of proposals for the organised marketing of fat stock has been more than usually confused. Scotland was the first to move. As early as the beginning of 1932, the Scottish Agricultural Organisation Society, the Scottish N.F.U., the Scottish Chamber of Agriculture and Institute of Auctioneers were all pressing for action, but the first attempt broke down apparently over the question of the grading and marking of boned carcases, which was desired by the farmers and opposed by the trading interests. The

Scottish Meat Traders also opposed a marketing scheme, quotas and the centralisation of slaughtering. Towards the end of 1932, the Scottish Agricultural Organisation Society, acting alone, was appointed as a Reorganisation Commission for Fat Stock in Scotland.

In the summer of the same year, the English N.F.U. put forward a scheme based on home and foreign quotas and the regulation of supplies for slaughter by a commission representing auctioneers, dealers, butchers and the proprietors of abattoirs, together with a majority of producers. All buyers, sellers and places of sale or slaughter were to be registered, and live sales were to be carried out by recognised salesmen. Area commissions were to be set up. Grades and minimum prices for different periods were to be established. Sales were to be notified in advance, and the Commission was to have power to give instructions to withhold from sale and also possibly to purchase at upset prices. It was criticised as unfavourable to the consumer and giving no place to the public or the Government. It was also opposed by the auctioneers, who proposed the extension of Scottish Marketing methods to the whole country and the formation of a National Livestock and Meat Association.

In the spring of 1934, the English Fat Stock Commission which had been sitting since December, 1932, issued a Report. Its recommendations were, briefly, the stricter regulation of supplies, especially overseas supplies, and a stabilisation of the present system of internal marketing in its more efficient form. Limitations were to be placed on the "persons, channels, places and conditions of sale"; auctioneers, dealers and butchers were to be approved and licensed, producers to be tied to a definite market of their own selection, and sales to be notified in advance with strictly limited facilities for withdrawal. Store stock as well as fat stock was included in these provisions. No proposals were made for price-fixing. This was criticised on the one side as doing little to reform trade practices or to reduce the producer-to-consumer price margin, and on the other as being less advantageous to the farmer than a simple levy on imports and subsidy on home production on the pattern

of the Wheat Act. It was also understood that official opinion was moving in the significant direction of a limited number of centralised slaughterhouses, a proposal with far-reaching secondary effects, offensive to a number of interests and also criticised by farmers as depriving them of the bargaining strength which goes with the right to take a beast home if prices are unattractive.

The fact that a scheme was under discussion entitled the industry to protection against imports, but little could be done during the life of existing trade agreements. Consequently in August, 1934, The Cattle Industry (Emergency Provision) Act was passed, coming into operation in the following month. It provided that for some months, " during the discussion of reorganisation schemes ", and pending the termination of the Argentine and Ottawa Agreements, payments should be made by the Exchequer of 5s. per live cwt. or 9s. 4d. dressed weight (about 1d. per lb.) on fat cattle for slaughter. Certification centres were established, most of them handling live weight, only the largest also dead weight. Grading was carried on by representatives of farmers, butchers and auctioneers. It was imperfectly systematised and in some districts gave rise to complaint, both as to the inequality of standards and the loopholes for fraud. It was found that one effect of the subsidy was that inferior cattle and stores were marketed as fat cattle. Irish and, it was said, Canadian store producers benefited,[1] and the price fell with the increased supply and also with the buyers' knowledge that the subsidy allowed him to drive a hard bargain. It was said in some quarters that the effect of the subsidy had been " negative ". The effect of this on the following year's supplies remained to be seen. By the spring of 1935 the index number for cattle was 84 as compared with an agricultural index of 122, and store cattle in some cases fetched more than fat beasts. Falling prices probably staved off more active protests by consumers and taxpayers. It is worth noting that the price of pig meat and that of mutton and lamb—unsubsidised

[1] An increased " naturalisation " period of six months was later advocated.

but to some extent protected from overseas competition—had meantime risen. A minor but useful development was the introduction of a voluntary intelligence service for gauging supply and demand in certain markets.

The N.F.U. were in the meantime reported to be proceeding, somewhat reluctantly, with a reorganisation scheme. The Scottish N.F.U., acting, if possible, with even greater reluctance, circulated a scheme to its branches early in 1935 explaining frankly that a scheme would only be adopted if both restriction and subsidy were granted and Scotland was adequately represented on the proposed United Kingdom Board. Proposals included restriction of imports, levy on imported meat and livestock and deficiency payments on all classes of animals, and the continued right of Scotland to export to England. Imported Irish or Canadian animals should receive half the deficiency payment after three months and the whole after six months. It was desired that not only fat cattle, but sheep and pigs (other than bacon pigs) should be included and that producers should contract with the Board for all sales one month ahead, with penalties for outside sales or default. It was further proposed that there should be separate committees for England and Scotland, that salesmen should be associated with the work of the Board, that the existing livestock marts should be used by the Board, and all dealers and auctioneers licensed. Store and breeding stock should be excepted from the scheme. An understanding should be reached with the Pigs Board, and a National Mark should be adopted.

By the end of 1934, the subsidy had cost the Treasury 1¼ million pounds and an expenditure up to £2·1 million was authorised for the period ending in June, 1935.[1] Proposals for a levy on imports with Dominion preference and "deficiency" payments to home producers were still under discussion, but the Ottawa and Argentine Agreements remained and the countries concerned were naturally unwilling to accept a less favourable position before they must. An agreement with the Irish Free State in January, 1935, by which Irish duties on British coal and British duties on

[1] Extended for another year.

Irish cattle were to be reduced, actually increased the imports from that country, and farmers' organisations instantly protested. A Conference with other Dominion Commissioners in London about the same time led to no definite results beyond a temporary agreement ending on March 31, 1935. Dominion representatives arrived in London for the Jubilee and discussions were carried on over a considerable period, representatives from the Argentine also taking part. In the meantime, the British Minister of Agriculture made it plain that the two courses open were (1) drastic regulation of imports, which would not run counter to the letter of any existing agreement, and (2) a levy on imports for the purpose of subsidy to the British producer, which could not be effected before November, 1936, in the case of the Argentine, or before August, 1937, in that of the Dominions. The Minister preferred the adoption of the second alternative by consent at an earlier date under fairly open threat of the imposition of the first if agreement were not reached. It was suggested that the proposed levy might be put at 1d. per lb. with a ½d. preference for the Dominions, accompanied by regulations agreed to among the exporting countries. It was also suggested that other types of meat might be included. At one point Australia seemed inclined to agree as a temporary measure till the Argentine Agreement could be revised, and providing no restriction was imposed, but this was afterwards denied. South Africa raised no objection to restriction, but desired a rise in wholesale prices. New Zealand opposed both levy and restriction, especially if extended to mutton. One reason suggested for the obvious uneasiness of the Dominions was that no limit had been officially suggested for the expansion of British subsidised beef production in any way comparable with the automatic check on wheat, though proposals for a quality differentiation were put forward in Scotland.

One other agricultural marketing scheme is still before the public and two have been defeated on a poll of producers. None of the three has at present any direct relation to protection or subsidies.

EGGS AND POULTRY

The Reorganisation Commission for Eggs and Poultry issued its report in February, 1935. It pointed out that the problem differed somewhat from that of most other agricultural commodities, since imports were only a small proportion of the total supplies, and import restriction could not do much to improve the prospects of the producer. Further, the market was extremely sensitive, and a small rise in price produced a considerable fall in consumption. On the other hand, they suggested that the severe seasonal fluctuations of price which took place at present were a primary evil and that the present distributive margin, which was only justified by a system inefficient at all points, should fall with improved marketing methods. Further, in assessing the technical aspects of distribution, the Commission were of opinion that efficient testing and the rapidity with which eggs could be brought into consumption, were of more importance than grading for size.

The marketing scheme proposed by the Commission provides for the division of Great Britain into some 200 areas of about 10-mile radius, each with a single packing station, to which all producers with more than 25 hens would be obliged to deliver all their eggs. Existing or specially formed stations would be entitled to apply for licences, and the most efficient in each area would be chosen. They might be either co-operative or private, and in the absence of a suitable station the Board might open a station of its own. In addition to the packing station, each area should have a voluntary advisory committee elected for three years by producers voting according to the number of birds kept. All eggs should be both collected and graded by stations which might employ higglers as their servants. Areas would be grouped in 11 regions, each with a regional board, together with a twelfth board for the distributive area of London. These boards would have each an advisory committee elected by the area committees, and would be responsible for directing sales outside the areas, preventing gluts and needless competition. Finally, a national board would be elected by the area committees with powers of

co-option. Advisory committees would be appointed by the distributive trade, including the co-operative societies. An annual delegate meeting of area committee representatives would be held.

It is considered that the centralising of marketing in the area packing stations and the universal application of grading and National Mark standards would do much to improve the efficiency and consequently the returns of the industry, but the scheme goes further and provides for a "national delivered price", to be fixed by the National Board for all eggs reaching the wholesaler or distributor after passing through the packing station. This would be uniform throughout the country, but the producer would receive this price after deduction of approved service charges, which would not necessarily be the same for all stations. The national price would be fixed with a view to "the effective clearance of supplies". Certain rebates would be allowed for the continuous purchase of large quantities. It was anticipated that producers would be paid weekly, if possible in the week following delivery. Producer-retailers would be able to obtain a licence on certain conditions, including a levy, and probably adherence to a fixed price and the furnishing of returns.

The Board, keeping in view the primary importance of levelling out supplies, would probably cold store spring eggs at its own risk for autumn release, but it would rely chiefly on its power to control the fluctuations of price. It was estimated that a levy of 2d. per long hundred[1] would cover all administrative expenses, including storage, but further funds may be required if the Board opens its own packing stations. The Commission leaves it an open question whether this should be borne regionally or nationally, and whether recourse should be had to a revolving fund or a simple loan.

It is proposed that the marketing of poultry of all kinds should be brought into a similar scheme operated by the same boards, but that the change-over from existing methods should be spread over several years.

[1] 120.

The scheme had on the whole a bad press. It was occasionally observed with approval that it reverted to the 1931 model and provided for a genuine reorganisation of selling methods, but criticism concentrated on the unwieldy size of the proposed constituency [1] and the costly centralisation of sales. It was pointed out that the registered packing stations at present handled no more than 12 per cent. of the total output. A good many people obviously hankered after a simple subsidy derived from an import levy, on the pattern of the wheat subsidy, though it was usually suggested that this should be given as a bonus on graded eggs, or, as it was sometimes put forward, to packing stations. It was also suggested that the home production of liquid eggs should be subsidised from a levy on new-laid eggs. There was a general feeling that a large number of small producers and independent sellers were going to be unduly harassed ; an unhappy experience of many of the existing National Mark Packing Stations, with their widely varying costs and charges (those run by farmers' co-operative societies were not included in the complaint), was a powerful argument against placing more trade in their hands. The prospect that large output, freedom from the competition of the ungraded egg and national inspection and control might do much to make the packing stations more desirable outlets, was not adequately considered. There were also local and sectional complaints such as those of the auctioneers, the country towns and the partisans of the " Lancashire grade " (a lower standard than National Mark). The much more questionable price-fixing element in the scheme was rarely criticised, but in fact offered real danger of either prices high enough to reduce demand (as in the case of pigs) or of the growth of excessive production behind the shelter of a fixed price (as in the case of milk), with consequences which would be the more embarrassing since there was so comparatively small a margin of foreign imports which could be manipulated to soften a maladjustment of English

[1] The producers of eggs were far more numerous than those of either pigs or milk (half a million as against 145,000 and 160,000 respectively).

supply and demand. Oblivious of this, the usual farmers' objection was that the scheme would not give him a guaranteed price and was useless without tariffs or restriction of imports.

The N.F.U., the National Poultry Council and the Scientific Poultry Breeders' Association were all non-committal, but the first two were understood to be preparing schemes, while it became apparent that the last named was in general opposition. The most probable modifications of the Commission's proposals appeared to be in the direction of (1) a concession to the Lancashire grade,[1] (2) permission for the continuance of established producer to retailer sales, (3) the right to start a co-operative packing station even in an area entrusted to the monopoly of a private packing station, (4) minimum prices, (5) a method of controlling cold storage and the foreign quota, (6) a raising of the number of birds which an exempt producer might keep. It was proposed that the National Mark should be universally enforced without delay and that there should be a joint committee of producers and distributors. While the large organisations concerned could not be described as enthusiastic, it was believed that the scheme was approved by the existing egg-packing stations and that producers in the mass were not unfavourable. The egg-packing stations were, however, strongly opposed to all relaxations of the proposed regulations. Some further objected to the retention of country wholesalers intervening between the station and the retailer, and to the poaching by low-cost on high-cost production areas which would be possible unless the Regional Manager had power to allocate all sales outside the areas. The cost of the scheme was also questioned. As an alternative to the scheme, the universal adoption of the National Mark was frequently urged as well as (more rarely) the compulsory stamping of eggs.

The Scottish Commission reported about the same time and proposed an All-Scottish Scheme on similar lines, but without regional divisions. The maximum exempt flock is in this case reduced from 25 to 15, and it seems probable

[1] A standard egg just under 2 oz.

that producer-to-retailer sales will be permitted but direct producer-to-wholesaler sales abolished. This scheme was well received at a conference of agricultural bodies. Northern Ireland, which has run its own very successful compulsory grading scheme for a number of years, is understood to be contemplating entering a British scheme as a "region".

Further action was postponed, pending the report of the Joint Egg Commission for Great Britain, to which matters of import restriction had been referred.

Fruit and Vegetables

A marketing scheme for the localised Scottish raspberry industry was one of the first to be put forward, but it was rejected on a poll of growers, influenced, it was believed, by the jam makers. The idea was, however, revived in 1935.

The National Farmers' Union of England put forward in 1934 a scheme for the marketing of fruit, providing a separate advisory committee for each class of fruit, of which glasshouse fruit should form one, and an option to growers of any class to contract out of the scheme. The scheme was to include the registration of producers, the regular collection of statistics, the diffusion of market information, standard-contracts and the "authorisation" of dealers and processors with a view to assuring conditions of sale favourable to the producer and the progress of industry. The Board would have power to determine quality standards and also in times of glut to establish basic minimum grades and to control the quantities offered for sale. After a poll of the growers of any particular crop, a minimum price might be fixed, the Board undertaking to purchase any fruit unsold. Glass-house fruits were exempt from output control. The Board would encourage the formation of producing controlled grading stations. State regulation of imports was regarded as the corollary of the scheme.

These proposals met with little success with the growers, many of them newcomers who had built up their business in comparatively recent years and who were little influenced by the N.F.U. or any other central body, and in the spring of 1935 the scheme was dropped. Some talk of vegetables

schemes in England or Scotland was heard from time to time, but it did not even reach publication. At the same time increased production (50–100 per cent. in the case of some articles), brought about partly by the increased cheapness of mechanised methods, defects in quality and grade, irregular cropping, unsatisfactory selling methods and the fact that a considerable measure of protection had failed to raise prices, constituted a strong case for organisation.

The suggestion of a Flax Marketing Board for Northern Ireland does not seem to have been carried any further.

Herring

In the summer of 1934 the Sea Fish Commission issued a Report making proposals for the reorganisation of the herring industry. At the beginning of 1935, these recommendations were embodied, with certain changes, in the Herring Industry Bill. This sets up a marketing board but, unlike the agricultural marketing boards, it will be appointed by Government and not as the result of a poll of producers. In the original report it was proposed that the Government should not only institute the Board, but should lay down its functions and procedure, but in the Bill this was left to the Board itself after formation. The Board was to consist of three independent members, including the chairman, and of five with practical knowledge of different sides of the industry. At the end of two years an attempt may be made to find a way of electing the five trade members. On appointment, the Board was instructed to devise a reorganisation scheme subject to the criticism of interested parties, the Ministers concerned and Parliament. The scheme is financed by a grant of £125,000 for the first three years, not more than £75,000 to be spent in administration, and the remainder in the development of marketing. In addition, there is a Herring Fund Advances Account, controlled by the Treasury and making loans to a total not exceeding £600,000 for the building, reconditioning and re-equipment of boats. Of this sum, up to £200,000 may be used by the Board for working capital and for loans to curers and exporters. Sums under this head repaid within

the first three years may be re-loaned until the end of five years. The Board may also borrow from other sources to a total indebtedness not exceeding £1,000,000. The Board may license boats, curers, salesmen and others, and may limit the number of boats engaged in the fishery, compensating those which are excluded. It may take steps involving a considerable control over processing distribution, to improve the standards of cured and kippered herrings. It may delegate some of its functions to area committees.

The measure was thus one of frank state control, and represented the farthest step so far taken in the development away from the original democratic and co-operative intentions of the Agricultural Marketing Act. At the same time, it gave less offence to the consumers' co-operative movement than some of the agricultural schemes, since the control of Parliament seemed to promise a certain safeguarding of the consumers' interests. The scheme was also one of restriction made necessary by the contraction in foreign markets which the 1934 temporary agreements with Russia and the Baltic countries had only partially relieved, and the contraction in the home markets which the rise of the fried-fish shop dealing only in white fish had done much to bring about.

In February, 1935, a Supplementary Estimate for the Herring Industry was passed in anticipation of the setting up of the Board, and in May the scheme passed the House of Lords with certain amendments, including a reduction in the licence fee for boats and permission to export kippers and bloaters unlicensed. It was understood that the Scottish Herring Producers' Association was prepared to put forward minimum wage proposals (£2 per week for deck crews) to the Board. Little public criticism was heard, though a few voices were raised against restriction of output, and the possible cutting of the Norwegian quota, while doubts were expressed as to the possibility of working a Board composed of such divergent interests.

A CLASSIFICATION OF AGRICULTURAL PLANNING IN 1935 AND AN ASSESSMENT OF RESULTS

In the preceding chapters we have reviewed the agricultural Marketing Schemes and Subsidies commodity by commodity, bearing in mind that the history of each is a connected whole and that each has points of special interest for the student. But if this study is to be more than legalistic and documentary, an attempt must be made to assess the effect of the new agricultural policy as a whole on the agricultural community up and down the country, on farmers, labourers and landlords, on the institutions they have created, and beyond them, on the consuming and taxpaying public.

But before treating the theme from this new standpoint, it may be well to attempt to place the new economic framework of agriculture in all its bewildering variety of detail before the reader in some form which will be intelligible to the eye. Agriculture, it has been well said, is not so much an industry as a bundle of related industries with a few raw materials in common. The commodity approach is inevitable in any form of classification. It is convenient, further, to make a main division into arable and animal produce. This may not at first sight seem to have much economic meaning, but if the paragraphs that follow are carefully studied, a real though perhaps unexpected distinction emerges. The problem of field crops in Great Britain is relatively simple. They either so dominate their restricted markets (as in the case of hops and potatoes) that it is possible, at least for some time, to restrict the foreigners and leave the home industry to manage its own affairs, or they supply so small a part of total consumption (as in the case of beet and wheat) that an extravagant subsidy may pass without scandalising the consumer. Animal produce is much more complex. Generally speaking it is insufficient

to dominate the home market, and yet too conspicuous for an attempt at invisible mending. It is also much more interdependent, as the delicate relations between bacon and pork pigs or milk and dairy produce plainly show. This has led to a certain incompleteness in the planning of all these commodities, an incompleteness going back to the underlying conflict of interests between the home producer on the one side, and the consumer and overseas producer on the other.

I. Arable Produce

1. *Commodities supplying the greater part of home consumption*

(*a*) *Hops.*—Hops are a small item in agricultural output but are long established and locally important. There is a tariff on imported hops and a quota applied voluntarily by the brewers. The home industry is organised under a marketing scheme aiming mainly at price control made possible by a restriction of the gross output of each producer. There is no subsidy.

(*b*) *Potatoes.*—An important item in agricultural production long established in many districts. There is a tariff on imported potatoes and a marketing scheme for the home industry aiming mainly at price control backed by restriction of output both by the fixing of saleable grades (based on size) and on an acreage basis. No subsidy.

(*c*) *Fruit and Market Garden Produce.*—Widespread but localised industries of increasing importance. There are tariffs on some items but no subsidies, and though marketing schemes have been proposed, none have yet been adopted.

2. *Commodities supplying only a small part of home consumption*

(*a*) *Sugar Beet.*—This is a new crop called into being by the subsidy. It is locally but only locally important. A straight Treasury subsidy has been paid since 1925 backed by a tariff on the imported article. There is no limitation of production and no marketing scheme, but if the subsidy is maintained there is a prospect of a marketing scheme

for the primary and state control for the secondary product.

(*b*) *Wheat.*—An established crop mainly important in the East and East Midlands, but stimulated elsewhere by the subsidy. A levy on milling wheat and imported flour has been paid by the milling trade (and ultimately the consumer) since 1932 and has been used as a subsidy on home wheat up to a fixed cash total, thus indirectly setting a limit on production. No marketing scheme has been attempted.

(*c*) *Oats.*—Important in some districts, especially Scotland. There is a tariff and a limited measure of quantitative restriction of imports.

(*d*) *Barley.*—No protection (except for 10% revenue tariff) or marketing scheme has been attempted owing to the difficulty of distinguishing between feed and malting barley and devising treatment to suit both.

(*e*) *Other Forage Crops.*—No special provision has been made.

II. Animal Produce

Animal produce of all types is of major importance in the agriculture of Great Britain, but except in the case of liquid milk and to a lesser degree in the case of eggs, it does not furnish a predominant or even a major portion of home consumption.

(*a*) *Milk and Dairy Produce.*—Milk for liquid consumption enjoys a natural protection owing to its perishable nature. It is the subject of a marketing scheme aiming both at price control and at the pooling of price as between liquid and manufacturing milk. Since 1934 there has been a subsidy to manufacturing milk pending the introduction of protection against imported dairy produce. There is at present no control of production. Butter, cheese and other milk produce are at present only affected by the fixing of milk prices and the subsidy, but there is a possibility of a dairy products marketing scheme.

(*b*) *Bacon Pigs.*—Imports are restricted by quota. There is no subsidy. Marketing schemes exist for both bacon pigs and bacon, aiming at fixing prices on a basis of cost of

production plus market conditions, together with the introduction of a system of forward contracts and grading. No restriction of output.

(*c*) *Fat Cattle.*—No tariff or marketing scheme is in force though a scheme has been proposed. A straight Treasury subsidy has been paid since 1934 pending import control.

(*d*) *Fat Sheep; Pork Pigs.*—No scheme or subsidy exists but the import of fresh pork has been restricted for sanitary reasons for some years and mutton imports have been controlled by voluntary agreement.

(*e*) *Store Cattle; Pigs.*—No scheme or subsidy.

(*f*) *Eggs and Poultry.*—No tariff or subsidy exists. Quota restrictions and a marketing scheme including grading and the reorganisation of marketing channels are under discussion.

(*g*) *Wool.*—No tariff, scheme or subsidy. Fairly extensive co-operative organisation.

III. NON-AGRICULTURAL.

(*a*) *Herring.*—A state-controlled marketing scheme with representation for all sides of the industry is about to be launched.

Such is the outline of the new agricultural policy as it has crystallised in practice. It is now possible with a clear mind to study its impact on those most concerned.

STATE POLICY

In March, 1934, the Minister of Agriculture, Mr. Walter Elliot, said, in a broadcast address: "With no violent change of policy, as in the U.S.A., or violent revolution, as in Germany or Russia, we had nevertheless got as far along the road as any of those three." In July of the same year, the Minister reviewed in the House the state of agriculture and the results of the Government's policy. He pointed out the drop in wheat prices (6s. 1d. to 4s. 8d. per cwt.) which would have occurred if the subsidy had not been applied, and showed how, with the subsidy, a steady rise in acreage was taking place (1·2 million acres in 1931 to 1·7 million in 1933), although the acreage of the unsubsidised barley, much about

the same in 1931, had heavily declined. After referring to the Milk Scheme as "an attempt at self-government in industry", the Minister drew attention to the replacement of 260,000 cwt. of imported skimmed condensed milk by 300,000 cwt. of the home-produced article. The index numbers of bacon, pork and store pigs had risen by 13, 17 and 29 points respectively between 1933 and 1934; there had been a similar rise in the price of fat sheep due to the working of the import quota, but in the same period, the price of the then subsidised and unorganised fat and store cattle had declined. The output of almost every kind of fruit and vegetable had increased. The imports of potatoes had declined. Egg production had doubled since 1926, and imports were the lowest for ten years. For the agricultural labourer, the Minister claimed that, while there had been a general decline in the conditions of labourers during 1931–33, the year 1934 had seen an improvement in the hours or wages of some 300,000 workers.[1]

The emphasis placed in this speech on the value of organisation was not perhaps so marked as might have been expected. In March, 1935, the Minister made a further statement which gave colour to the suggestion that the Government was no longer anxious to give prominence to the organisational side of their policy. The speech referred to imports, just then a critical issue, and suggested that overseas producers should be free to send such quantities as they desire, "consistent with reasonable remuneration at home", and it was inferred that Government opinion was veering from boards and quotas to some form of levy and subsidy on the model of the Wheat Act. A different line of thought was indicated by the Parliamentary Secretary for Agriculture, Lord De La Warr, who, in speeches made about this time, advocated the organised marketing of all foodstuffs, and the use of surpluses for distribution to those in need of relief, while urging the primary need for cheap food and economies in distribution. In June, 1935, forecasts of a changed emphasis in Government policy were confirmed by Mr. Elliot's declaration that the policy of the ear-marked

[1] Total workers on the land estimated at 700,000–800,000.

tariff and levy, the whole of which went to the producer in this country, was the policy which was working best so far and which the Government desired to continue to develop and extend. It was the principle of the negotiations then in progress in regard to beef.

From these indications it may be assumed that the Government were not satisfied with all parts of their own handiwork or at least were strongly convinced of their unpopularity with the electorate. It becomes important to study the opinions and, what is more vital and not always coincident, the actual experience of different classes of the community under the agricultural policy of recent years.

The Farmers

The National Farmers' Union is the main public mouthpiece of the farming community. At first enthusiastic for the schemes, it has recently grown restive. At the Annual Meeting held in January, 1935, the President complained that the Government had "no considered policy for the agricultural industry as a whole" and that there was a tendency to depart from the "essential and natural balance" between different branches of production, a statement which was understood to refer to the increase of milk production at the expense of livestock and other branches. There were general protests that there was no "standard measure of protection", that the Government was tied by trade treaties, that foreign treaties should be terminated and those of Ottawa revised. The Wheat and Beet subsidies gave general satisfaction, but the depression in the livestock industry it was said had only been intensified.

At the same time, the Scottish Chamber of Agriculture produced a carefully drafted Memorandum, containing the following definite proposals:

1. Control of import, sale and distribution of any article which if home grown is the subject of a scheme.
2. Limitation of the sale of an imported article when the home grown article is limited.
3. Compulsory initial registration of producers to avoid the adoption of any scheme by a minority vote.

4. Increase of majority necessary for adoption of scheme to 75 per cent.
5. Speedier action for amendment or revocation schemes.
6. Board members—nomination by registered producers only. No financing of candidates by other bodies.
7. Limitation of administrative expenses.
8. Abolition of the necessity for a scheme as a prerequisite of fiscal protection.
9. Reorganisation Commissions to be appointed only on request of producers or boards and to be free to make any proposals.

The memorandum prefers a straight tariff to quotas on the ground that (1) it involves less interference, (2) it does not benefit foreigner, (3) it does not involve a marketing scheme. There should also be provision for quantitative control without marketing schemes and an amendment of the Marketing Acts to provide for voluntary organisation for co-operative marketing. There should be no guaranteed prices, as these shelter inefficiency, but certain staple products should be stabilised by a qualifying standard of production, an import duty and a subsidy or deficiency payment.

At the Annual General Meeting of the Chamber, the marketing schemes were criticised as unsound so long as only home production was controlled, as productive of annoyance, expense and officialdom and as depriving the farmer of his rights. Resolutions were passed to the effect that no further marketing schemes should be instituted and that, in particular, there should be no Livestock Scheme till protection was assured.

In spite of these public complaints, the general impression remains that the farmers individually were not dissatisfied. The basic principle of the Milk Scheme seems to have secured much silent approval, though accompanied by criticism of detail; the Potato and Hop Schemes apparently satisfied their more limited constituencies, and the Pig Scheme aroused little opposition, though its voluntary character made it a less convincing test of public opinion. While there may have been grumbles about filling in forms

(a grievance made picturesque by the newspapers) and while there certainly were protests against the predominance of the N.F.U., the actual machinery of the Boards seems to have given satisfaction and the view that more democratic responsibility would increase farmers' loyalty seems to have been based on theory rather than experience. On the other hand, a realisation that the schemes have any true democratic basis at all has apparently failed to penetrate to many of the smaller producers and the malcontent who said that " the Government " had taken 2d. off his milk or prevented him from growing another acre of potatoes was probably not singular.

When we turn from opinion to experience, although practically no detailed research into farm returns or the balance of farming has yet been carried out, the broad outlines of the picture are becoming clear to those familiar with different regions. All down the hill country of Western England, Scotland and Wales, the Milk Scheme has been of predominant importance. The relatively few near-town producers, especially those selling to a semi-luxury market like that of the holiday coast towns, have lost in cash returns and are not consoled by the suggestion that improved transport was anyhow threatening their monopoly. But to the mass of the producers, the schemes have brought unexpected prosperity and stability, and this has been followed by an accelerated increase in production. The population of milch cows cannot, it is true, be increased in a day, but pending the maturity of heifers, old cows have been retained in milk and milk yield has been increased by improving pasture and even more by artificial feeding. In some of the famous grassland districts of the South-West of England, it is estimated that only about half the milk production is based on natural pasture. At the same time, there is on the whole a decline in arable dairying, and it is taken for granted that the bulk of feeding-stuffs must be purchased. In addition to the absolute increase in milk, there is the increase in liquid milk coming on to the market. Farm cheese and butter making were in any case slowly dying out, but the easy and profitable outlet for liquid milk

offered by the schemes has accelerated this process, and in some districts there has been a rapid growth in milk factories based on a cheap seasonal supply of whole milk. Although farm cheese making was laborious and not always profitable, the superior product commanded a market which the factory cheese could not approach, and to this extent its disappearance may be an economic loss. Another aspect of the same process is the disappearance of skim milk from the farm (a few factories collect cream and return skim but it is rare) and the consequent disappearance of the traditional method of calf and pig rearing.

In this way, the Milk Scheme has probably had more effect on the livestock industry in the West than have the specifically Livestock Schemes. The steadying of the bacon market by the Pig and Bacon Schemes caused a temporary move towards bacon even in the districts of unspecialised production, while when pork prices rose above those for bacon, there was a swing in the other direction. It is doubtful, however, whether any substantial increase in the pig population took place, but there appears to have been some attempt to improve quality. In some dairying districts the years preceding the schemes had seen a certain move away from milk specialisation in the direction of pigs and poultry, although the milk output had been maintained. It is doubtful if this process has been carried any further. The fat stock subsidy precipitated the marketing of half-finished animals, and in some districts this has resulted in a shortage of stores and a store price which is relatively much more than that for finished animals. This has resulted in a local increase in store stock (including pigs) in, for example, North Devon and Cornwall. In other districts, notably Wales, the low prices ruling for fat stock have simply been reflected back on the store market and have hastened the turnover to dairying. Sheep production has increased in the South-West, but it is breeding and lamb selling rather than arable fattening.

Hops and beet scarcely occur in the Western hill country and potatoes on a commercial scale are comparatively rare. The wheat subsidy, however, has undoubtedly stimulated

production on land of no particular suitability and grain is sold and repurchased within groups of farmers which, but for the subsidy, would either not be grown at all, or retained for use on the grower's farm.

In the Midlands the effects of the new agricultural policy have been less sweeping and more diverse. No change in the general balance of farming is obvious. Milk production was frequently on a high cost basis and is difficult to maintain on a pooled price. On the other hand, in the neighbourhood of towns, the producer-retailer, either genuine or of the type which buys and retails milk on the advertising value of a couple of cows and a more or less fictitious farm, appears to have increased in numbers. Pigs are more important than farther West. In this department complaints have been loud among those who have contracted under this scheme, while those outside are placidly reaping the gain of steady prices and a temporary shortage of pork pigs. Fat stock prices are poor, though the subsidy has done something to help. The price of stores in typical fattening districts is not high, but many farmers and graziers have difficulty in raising the purchase money, except on some system of credit. Hops and beet are important and profitable in restricted areas. The Potato Scheme has benefited those with an adequate acreage, and resentment is shown chiefly by those whose system of farming was supple enough to allow for a contraction of acreage during the period of low prices, a contraction which they cannot now make good without paying the acreage fine. An interesting development in the North-West is based on a combination of pigs and potatoes. Wheat cultivation has increased. Market gardening is increasing, but there is some evidence that the possibility of a scheme has actually discouraged egg production.

In the East, the effects of the beet and wheat subsidies are seen at their maximum. Much land in Norfolk, Suffolk, Lincoln and Cambridge which has been withdrawn from other crops in the last ten years is now under beet. Farmers are prosperous and the measure of the beet subsidy's popularity may be gauged from the protests at its possible dis-

continuance. Wheat has been of equal value, and in the Fen Country, as well as in the corresponding district near the Cheshire-Lancashire coast, the Potato Scheme has operated without arousing complaint though with no marked success in raising prices. The Milk Scheme, on the other hand, has meant lower returns almost universally in a district where level supplies all round the year were produced at a relatively high cost, where farm butter and cheese making did not exist and the proportion going into manufacture was negligible. A few realise that the prices formerly ruling could not have been maintained, and it is doubtful whether milk production even under present conditions is carried on at a loss except where methods are definitely inefficient. The effects of the Pig Scheme and the livestock subsidy have been much as in the Midlands.

In Scotland, the milk position as regards the farmer differs little from that in England and presents the same contrast of a prosperous West increasing output [1] and reducing farm cheese and butter and a discontented East robbed of the advantages of well-paid liquid sales. On the whole, this reverses the conditions of relative prosperity in preceding years. The livestock subsidy has had little effect on price or at least has been insufficient to counteract declining demand. On the other hand, the subsidy has possibly exaggerated seasonal price fluctuations. Something may have been passed on to the store breeder in the first few months of the subsidy, but his prices are no longer attractive. The pig has never been popular in Scotland. In the South-West—the main pig area—there was at first a rise owing to the initiation of the Pig Scheme, but this was followed by a drop as prices declined and possibly as farm cheese making ceased to be carried on. Factory production in the neighbourhood of towns is on the increase, but the insanitary system of town pig feeding is fortunately becoming unprofitable. Sugar beet only touches a small area and has not made much progress in Scotland. Wheat production has been generally stimulated, and the same

[1] The rapid rise in in-calf heifers in 1933–34 was particularly striking.

sort of sale and repurchase goes on as in England. Oats are used principally on the farm, but the quantities coming on the market probably make better prices than is generally admitted. The Potato Scheme has run much the same course as in England. As for eggs, opinions differ as to the relative positions of the near and far, high- and low-cost producing areas in a national pool. On the whole it would seem that the natural time and distance handicap of (for example) the Orkneys will counterbalance their facilities for cheap production.

One agricultural problem that has not been touched by the new agricultural policy, although certain powers are vested in marketing boards, is that of credit. The Act of 1928 did little towards a solution, and short-term credit is still left to the ordinary banks, the auctioneers (some under co-operative auspices) and the agricultural merchants, including the requirements societies.

The Smallholder

The smallholder is notoriously difficult to separate from the general farmer. In fact, no clear dividing line exists. The distinction of being " under a County Council scheme ", legally clear enough, has little economic significance except that it makes the unit one of fairly recent establishment. To abandon that definition merely reintroduces the confusion of capitalist market gardeners, crofters controlling immense sheep-runs and all the intermediate types. The distinction, in fact, is social rather than technical or even economic, and the conception is perhaps clear enough without definition.

Does the smallholder, then, stand in any special relation to the new agricultural policy, and has that policy on the whole operated for his good ? The schemes have unanimously excluded the very small producer from their purview, and only the Pig Scheme has made any special provision for the humbler producer for the market. The system of group contracts wore a co-operative air and undoubtedly gave an opportunity for the small man to do something for himself. In fact they seem to have been

the instrument of dealers and the occasion of more irritation than content. In any case, their numbers have rapidly fallen. Further, the grading system, excellent in itself, has probably made profitable bacon production more difficult for the small producer without special training and other facilities; so also has the level delivery annual contract, and a short-period contract with different prices for winter and summer has been suggested in its place. The small producer-retailer and the small dairy farmer in a remote district have both done well out of the schemes, but not more than their larger neighbours except in so far as family labour has helped the producer-retailer to meet a lower, though assured, price. Much has been made of the value of the beet subsidy to smallholders. A certain number of county council smallholders in Bedford and Cambridge do, it is true, grow sugar beet, but in the main it is a big man's crop, and it is difficult to resist the conclusion that the smallholders are paraded in front of the beet growers' army much as the prisoners who protected a barbarian advance.

In the main, then, though smallholders, as smallholders, have probably neither gained nor lost by the new agricultural policy, it has not been designed for their benefit or adapted to their needs. Whether on their own initiative they could devise such an adaptation is a question leading on to the consideration of agricultural co-operation in the old sense of the term.

The Farmers' Co-operative Societies

Before the initiation of the schemes, England, Scotland and Wales [1] were fairly well furnished with farmers' co-operative societies selling agricultural requirements and handling limited quantities of grain. They were less well supplied with societies for the marketing of agricultural produce. The South-West of Scotland was sprinkled with reasonably successful creameries and England had a certain number of farmers' dairies, notably in the South-West and

[1] See *Agricultural Co-operation in England* (1930) and *Agricultural Co-operation in Scotland and Wales* (1932) by the Horace Plunkett Foundation.

in the Stilton cheese area of Leicester. In England there were three farmers' bacon factories, two well established but none brilliantly successful. There were a fair number of flourishing egg-marketing societies, many of them called into being by the National Mark Scheme. The remaining societies were associated with wool (on a fairly large scale), with fruit and vegetables (usually small) or, in a few cases, with the auctioning of livestock.

The requirements societies seem to have benefited unreservedly from the new agricultural policy. More money was in circulation in agricultural districts; in the West especially, more was spent on artificial feeding-stuffs and manures; advertisements of the proprietors of patent preparations and the more disinterested propaganda of agricultural research workers took effect with the opportunity and prospect of profit. The turnover of the societies was swelled by the subsidy wheat passing through their hands.

Of the three co-operative bacon factories, one passed into private hands. Another entered into an arrangement with the Co-operative Wholesale Society just as the scheme came into force, by which the C.W.S. secured a controlling interest in the factory. The other took its place in the system devised by the Bacon Board and had, to judge by its published reports, a year of gratifying prosperity. Very different has been the experience of the English farmers' dairies, nearly all of them engaged in the sale of liquid milk. These societies were formerly run on a service charge basis and profit or loss was shared among the members. This co-operative relationship has now come to an end. Prices are fixed by the Board and societies are left to collect, pasteurise and forward on the ½d. per gallon allowed for "transit risks", plus what they can make as manufacturers. Cheese, at least on the scale of most societies' operations, is unprofitable, though Stilton cheese occasionally pays. No society is equipped for condensing, but butter and cream is being attempted. The larger societies have formed an association to make their position and claims known to the Board. In Scotland, on the other hand, the

farmers' creameries have been taken over bodily by the Board.

No other farmers' co-operative society has been directly affected by the schemes, though it is worth recalling that the Hop Board is merely a reincarnation of its co-operative predecessor. The egg-packing stations, each in its own locality, will stand in something of the same relation to the Egg Marketing Scheme if it comes into force, and most, if not all of them, are prepared to welcome it.

This being the experience of existing farmers' co-operative societies, what are the prospects for fresh co-operative action? In spite of rather discouraging experience, it is difficult to believe that with ordinary intelligence and good-will something more might not be done with the group contract for pigs, but in order that it may be a success, a carefully thought-out scheme is necessary, beginning with some control over the type of pig produced, which might include the provision of breeding stock, the supply of feeding-stuffs or both, and the introduction of an efficient system of collection and transport [1] which should include expert judgment as to the readiness or unreadiness of a pig for delivery to the factory.

No definite place has been provided for group action in the Potato Scheme, but the modest measure of systematisation in trade practice which has been carried through has done something to make easier a group marketing organisation for the smaller growers. Proposals for such an undertaking have been put forward both in Scotland and Wales on the initiative or with the approval of the Agricultural Organisation Societies.

Co-operative organisation within the Milk Scheme is a more difficult matter, though it has been advocated in Wales. The experience of the existing societies is not encouraging, group contract offers little advantage, even if it were legally possible, urban wholesaling is difficult for a farmers' group to control and the more profitable forms of manufacture require heavy capital. Few farmers will be

[1] Possibilities in this direction are at present circumscribed by the railway monopoly.

ready to venture their capital in order to do something which the Board is willing to do for them on such favourable terms. Should the terms be less favourable—a discriminatory price against surplus milk, for example—or the scheme be drastically modified, the incentive to organisation might once more be present. An exception might perhaps be made in favour of the proposal for some co-operative method of marketing or even of making superior farmhouse cheese, butter and clotted cream. If these products were aimed consistently at a semi-luxury market, their value to the farmer and the reputation of English food might be simultaneously advanced.

The few co-operative auction marts have been neither helped nor hindered by the beef subsidy, but view with apprehension the proposals for centralised slaughtering.

The Landowner

In 1935, a responsible newspaper said that the future of landowners was largely dependent on the marketing schemes. Between 1925 and 1931, the fall in the capital value of agricultural land has been put at 21 per cent., and the fall in tenants' capital at 23 per cent. But toward the end of that period, the wheat and beet subsidies were taking effect in a gradual rise in the value of arable farms. As the marketing schemes came into force, a further rise took place in the value and more especially the regularity of farm income, higher rents were anticipated if not actually achieved, while in districts where farmers had been in arrears, rents due were being recovered. The value of "basic acreage" and "basic quotas" in the case of hops and potatoes came as a free gift to the landlord, and farms advertised with quotas attached began to come on the market in 1935. It was noted that any further restriction (for instance of milk) would extend this process. All these developments might be expected to make the agricultural industry more attractive as an investment. On the other hand, wherever a change in production took place (especially that from stock rearing to dairy production) the investment of more landlords' capital in improved buildings

and equipment became almost compulsory if the farm was to remain lettable, though most landlords looked to the enhanced rent to repay this expenditure. The schemes further commended themselves because they did nothing to destroy the landlord's control over his tenants, to break up estates or threaten amenities. The only serious immediate disadvantage was to those owning dairy farms in the neighbourhood of towns, or with high production costs, since these were experiencing a definite drop in income and fall in rentable value.

But, pleasant as the immediate prospect may be, it seems possible that the future of landowners depends on the marketing schemes in a different sense from that originally intended. The granting of special powers and special subsidies to farmers has directed public attention to the industry. Democracy is paying fairly heavily for what is, to the townsman, little more than the " amenity " of a domestic agriculture. He is already anxious to know if the benefit is falling where he most approves. The great question of tenure, hitherto a point of rather academic political interest, is being reviewed, silently perhaps, by many who are not influenced by political socialism. Undoubtedly public assistance, including not only exceptional powers and subsidies but public works of drainage and improvement such as have been discussed but never carried out, are much more acceptable on a basis of public ownership.

The Agricultural Labourer

To a large body of opinion, not uninfluential politically, one of the main grounds for judging agricultural planning will be its effect upon the agricultural worker.

Agricultural wages and hours have been controlled by a form of Trade Board since 1917,[1] and it has been one of the farmers' grievances that the cost of labour has been (except for possible illegal deductions) relatively fixed, while the price of agricultural commodities has fluctuated and,

[1] Under the Corn Production Act, 1917, the Corn Production (Repeal) Act, 1921, and the Agricultural Wages (Regulation) Act, 1924.

taken over the whole period, fallen heavily. Agricultural wages, it has been calculated, are 72 per cent. above the pre-War level as compared with 64 per cent. in industry as a whole. At the same time, the wage level is still much below that in any other great industry. Moreover, there are, except in sugar beet districts, fewer men on the land (the reduction in field labour between 1931 and 1934 was put at 30,000), and it is probably fair to assume that this displacement is due, in part at least, to the deliberate introduction of machinery to reduce the wages bill.

There is evidence that since the introduction of schemes and subsidies in England, though the minimum wage has only risen a little—from an average of 30s. 6½d. in November, 1933, to 31s. 1d. in January, 1935—there has been a decrease in hours and an increase in overtime pay and the earnings of youths and women amounting to perhaps something over £800,000 a year. This is a partial recovery of the position held before the slump. It was claimed by the Minister of Agriculture that three-fourths of the workers employed had received increased wages, while the food index had fallen from 145 to 122 since 1930.

It has been suggested by farmers' spokesmen that the subsidies granted in various forms to agriculture were no more than a just offset to the scale of payment exacted by the Agricultural Wages Acts. In this connection, the £800,000 calculated above for the increase in annual wages may perhaps be compared with the beet subsidy of £2,500,000 for the period September, 1934–June, 1935, the milk subsidy of £1,500,000 since the spring of 1934 and the wheat subsidy of £16,000,000 for 1932–34. The beet subsidy of £40,000,000 for the longer period of 1925–34, even though it does not all go into the farmers' pockets, must also be remembered in any consideration of the statutory obligations of farmers. On the other hand, the knowledge that such subsidies have been paid, and paid by a taxpaying public aware of the obligation it has conferred, has placed the agricultural labourer in a position of unusual strength in any future negotiation for improved wages or conditions of labour. Also all organisation of farmers made negotia-

tions easier by confining them to a single body on each side.

In Scotland, where no Wages Board exists and where no recent rise in wages has taken place, State assistance to agriculture has put the workers' organisation in a strong position to demand either the establishment of a board or a favourable agreement on wages.

Another and probably unconnected move towards improved conditions has come through the Report, issued in January, 1935, of the Unemployment Insurance Statutory Committee, in favour of an unemployment insurance scheme for land workers. The Committee proposed that the scheme should be kept separate from that dealing with industrial employment, and that the rates of contribution and benefit should be lower.[1] Near relatives of farmers were to be excluded and special provisions made for seasonal workers. No contributions to the past debts of the Insurance Fund were to be made; the annual State contribution was estimated at about £800,000. Several considerations had contributed to this conclusion. Unemployment had increased in agriculture and was probably about 7·5 per cent. The new public assistance regulations had made local authorities and local rate-payers readier to see provision for the unemployed on an insurance basis, and the proposal had the support of many farmers as well as of the labourers and their unions. On the publication of the Report it was thought that a Bill would shortly be introduced and that a system of insurance would be in operation by the winter of 1935–36. In May, 1935, however, the Minister of Labour announced in the House that the principle had been accepted but not the suggested rates and that no immediate action would be taken. It appeared that opposition had developed in Scotland and the North and in the Western dairy districts, where there was little unemployment. The workers' organisations, however, pressed for immediate legislation.

[1] 4d. per week each from employer, employed man and the Exchequer, with reductions for 6 months and 12 months hirings; benefits, 12s. 6d. for man, 6s. 6d. for wife and from 2s. to 3s. for each child up to a total of 30s. per week.

The Consumers and the Consumers' Co-operative Movement

The position of the consumer under the new agricultural policy is hard to gauge since he or rather she is generally inarticulate. The pronouncements of the Consumers' Committees on Milk have already been quoted at some length (p. 23). There remains the consumers' co-operative movement, with its 7,000,000 members and its claim to supply foodstuffs to at least one-third of the population. The position of the movement in relation to the agricultural marketing schemes is by no means simple. The agricultural policy adopted by the Co-operative Congress at Glasgow in 1932 had laid it down that " the actual point of contact between organised producers and organised distributors is obviously marketing, and the first essential to general agricultural stabilisation should be the organisation of agricultural marketing ". Its attitude to the Agricultural Marketing Act as such was non-committal. At this time, however, no schemes were in preparation except the Hop Scheme, which was of no direct interest to co-operators. As the schemes for dealing with common foodstuffs developed, the co-operative movement became much more critical. For it is interested in Free Trade in its widest sense. It is concerned with the provision of cheap food for its members and resents alike restriction of foreign imports and price-raising monopolies at home,[1] while subsidies at the expense of the consumer are equally distasteful. It is a growing movement, which feels its growth to be justified not merely by ambition but by ethical purpose, and therefore it does not lightly tolerate any attempt to crystallise the existing forms of trade and so check its own expansion. Finally, the very extent and variety of co-operative activities expose the movement to a variety of practical annoyances.

The co-operative criticism of the new agricultural policy is well put in a recent pamphlet : [2]

[1] Many of these objections were shared by private grocers.

[2] *Legal Limitations on Co-operative Progress*, by R. A. Palmer.

" In the case of the Pig and Bacon Scheme a Development Board is to be established for regulating the home production and importation of bacon on a quota basis. The existing home curers will be stabilised on a basis of their 1933–34 trade, and as the home production of bacon is permitted to extend under the home quota, each of the existing curers will be permitted only the appropriate quota extension. The Co-operative movement, with comparatively little home bacon output, will be compelled to restrict its development on the basis of its 1933–34 trade, irrespective of the demands of its members.

" In the case of bacon, the position is particularly unfortunate, as the Movement has an appreciable amount of bacon production in Denmark. This will gradually be reduced under the terms of the import quota in line with the direct imports of other importers, but the movement will receive no additional output licence for home production. The net effect of this quota arrangement will be that the movement will be compelled more and more to purchase from private trade curers in this country to meet the requirements of its members, or to purchase existing curing factories at very greatly enhanced values. Every British curer is now practically assured of a stabilised output and, therefore, up to the extent of its licensed output, enjoys a complete monopoly. . . .

" The whole scheme effectively checks any attempt towards national or international co-operative organisation of commodities for the welfare of the public, and offers instead national organisation for private profit. . . .

" . . . The restriction of imports of milk products may also result in curtailment of the Movement's trade in such articles as cheese, butter and dried milk, and it is always possible under a controlled import policy that the movement will be compelled to obtain its supplies through specified agencies. . . . [1]

" Within the Marketing Schemes there is also a growing tendency to control the transport of commodities, and to centralise such transport in the hands of the more powerful existing agents. Up to a point, an attempt is made to centralise general transport under the Road and Rail Traffic Act, but particular marketing schemes have gone further. In the case of transport of pigs to bacon curers, a compulsory carriage rate for live pigs has been accepted by the marketing boards and the railway companies jointly. In this case, conditions are so arranged that the railway companies obtain the monopoly. The compulsory operation of this transport agreement is made a condition of the 1935 bacon contract, and all live pigs purchased by curers, whether for pork or bacon, must be included. . . .

[1] Local difficulty in obtaining milk from a society's own creameries has already occurred.

"The English Milk Board is now contemplating a system of payment for milk on a quality basis . . . the proper method of procedure would be to penalise the man who did not produce satisfactory milk. . . .

"It does appear strange that practically the whole of the legislation recently built up for the national control of industry should be tending towards the stabilisation of vested interests, and actually preventing anything approaching state control. . . .

"It may easily happen that the present type of marketing scheme will ultimately lead to monopoly by the larger organisations of distributors or manufacturers, in spite of the apparent legislative powers for producers, and that the schemes will definitely prohibit competition or development of Co-operation. On the producers' side, although it would appear that the producers have at present all the powers for the obtaining of high prices, it may very well happen that they find themselves far more dependent on one or two stabilised organisations than they were in the days of nominally free competition with the world."

From the student's point of view it is a pity that the co-operative movement has not used its unique facilities to provide statistical evidence of the effect of the Marketing Schemes on retail prices, and through them, on consumption, since material so copious and so reliable is scarcely to be found elsewhere. In fact, only isolated experiences are available. A large society in the South recorded a 55 per cent. rise in the price of bacon between 1932 and 1934 and a 35 per cent. fall in demand. A Midland society, making an unwanted profit on its milk, tried to reduce the area price by a vote of retailers. A number of small men controlling only 25 per cent. of the supply outvoted the distributors of the remaining 75 per cent.[1] The price rose and consumption fell. It is not known how far such instances could be multiplied. But though the rise in milk and bacon prices is general, it has not as a rule exceeded the 1928–30 level and any fall in consumption has frequently been masked, so far as the co-operative societies are concerned, by a general increase in membership. It was also main-

[1] The co-operative movement is a comparative newcomer to the milk business, it has increased its trade with remarkable rapidity, and now controls about 20 per cent. of the distribution throughout the country.

tained that co-operative members were paying additional £26,000,000 yearly in direct and indirect taxation since 1930.

On the vexed question of margins, the movement has expressed itself less clearly. No trading organisation not run on recklessly competitive lines likes to work on a very narrow margin, and the device of the dividend on purchase has been instituted especially in order that the movement may trade securely and yet avoid profits. For many years a cleavage of thought has existed between those who support this conservative policy and those who would extend the benefits of the movement by a policy of competitive price-cutting and the inclusion of a poorer stratum of customers to whom immediate low prices are a necessity. It was thought that the taxation of co-operative reserves in the budget of 1933 might strengthen the hands of this party, though as dividend on purchase remains untaxed, the argument is less compelling than it might be. Now the question of distributive margin, and of milk margins in particular, brings the alternative once more before the movement. The societies are undoubtedly more than content with a 10d. margin and opposed to any retail price above 2s. a gallon, but they have expressed disapproval of the recommendations of the Consumers' Committee which seem to advocate distributive margins based on cheap and inferior service. There are those, however, in responsible positions in the movement, who believe that a margin of 6d. would still cover high-grade service and show a small profit to any society with efficient methods and a reasonably large and compact membership. It cannot be doubted that a lead in this direction from the co-operative movement would benefit the public, relieve the Marketing Board by increasing consumption and eliminating many inefficient distributors, and react to the benefit of the co-operative movement itself. On another point—the failure of the schemes to improve and simplify the machinery of distribution—the movement has made little comment, probably because it relied on the extension by voluntary means of its own methods of rationalised distribution.

The real and lasting objections of the co-operative movement to the Marketing Schemes appear to be (1) that an organisation with monopoly powers and without effective national control should not be granted to one section alone, that is to the producers, and (2) that limits should not be set to co-operative progress. With regard to the latter point, the co-operative movement has the regulatory powers of the Bacon Development Scheme before its eyes and the possibility of a similar restriction to the status quo in other commodities. A test application by the Scottish Co-operative Wholesale Society for an assurance that it might construct and continue to operate a sugar factory was refused by the Ministry of Agriculture. Another cause of uneasiness has been the line of thought which, perhaps with justification, links with the Marketing Schemes the Melchett Bill for industrial control—that curious compliment to the fame of the Marketing Acts—and the vaguer trade union proposals for the licensing of private shops. As the *Co-operative News* observed, "Throughout 1934, the idea of State regulation of distributive trade has grown in strength . . . in every case it means something that is bound to injure the co-operative movement."

This friction and above all the threat of monopoly have severed the delicate threads of association which were beginning to bind co-operative consumers and agricultural producers together, though the role of the C.W.S. as supplier of agricultural requirements to farmers' societies has become on the whole more important. The Chairman of the Co-operative Congress of 1934 no doubt expressed the opinions of his audience when he said: "The Minister of Agriculture . . . is determined to give all power and marketing authority to producers. This is a dangerous policy; dangerous to the producers, who are finding that they cannot force people to buy, dangerous to the consumers, for it means a definite decline in their purchasing power. It is also dangerous to the co-operative movement. . . . It may be the beginning of a completely controlled system of industry."

This case has been given wide publicity, at least within

the movement, and it is undoubtedly strong. There is, however, another side. The Glasgow agricultural policy of the Glasgow Congress, with its welcome to the organised producer, has already been quoted and could be reinforced with equally authoritative pronouncements. Apart from this, the co-operative movement has a long association with Socialist ideas both in its historic origins and in its recent association with the Parliamentary Labour Party. It is true that the maxim "production for use and not for profit" excludes for some the reality of producers' co-operation, but a rigid interpretation in this sense has never been general, and the movement has always supported, with varying degrees of emphasis, the idea that trade and industry should be orderly, organised, democratic, publicly controlled and devised for some public end. It has also expressed a very general and intelligent commercial preference for dealing with organisations commanding large and uniform supplies. It was early admitted that co-operative societies might gain from the schemes, provided that they concentrated on public service and the reduction of the cost of distribution and provided also that fixed prices did not involve, as in fact they have involved, an increase in the retail price. In fact, the co-operative movement has probably worked more easily with several of the Marketing Boards than have smaller and less experienced distributors. Co-operative societies have in many places undertaken the supply of milk to school children and some tendered a distributive margin below that actually paid.

The association of the co-operative movement with the Labour Party has already been mentioned. It seems clear that the two bodies are not altogether at one on the question of agricultural marketing policy, though the exact point of divergence can only be inferred. It is perhaps significant and certainly surprising that the co-operative movement has openly expressed a preference for the Herring Scheme, with its nominated Board and substitution of national for producer control, or, in theoretical terms, political for industrial democracy.

The co-operative movement may be said to have accepted the new economic policy under protest. It has given evidence at inquiries, taken part in committees and deputations and in every way taken the utmost share possible both in shaping and in carrying out the Marketing Schemes. Its future policy [1] would appear to point in two directions. In the first place, it seeks to make the schemes more national and more representative of all sections of the community. To this end, the co-operative ideal is joint boards of producers and distributors, with a measure of Government control similar to those instituted by the Government of Northern Ireland. Development schemes would appear to fill these requirements reasonably well, and the opposition to them on the part of many, though not all, leading co-operators can only be attributed to a dislike of any independent authority conferred on producers and a rational objection to the powers of limiting production and possibly eventually distribution, which are associated with them. This involves the second aim of co-operative policy, which is to secure some special recognition for the co-operative movement which will remove it from the danger of a curtailment or even stabilisation of its activities either in production or distribution. The idea, popular among co-operative theorists, that the State might use the co-operative movement to balance distribution, clearly is not practical politics at the moment. The claim for special treatment must be based on public service, open membership, the elimination of profit and, above all, on the identity of the movement with the consumer and not with the distributive trade, however efficient or however much affected by the common problems of the Marketing Schemes. It would seem, though the point has rarely been clearly advanced, that it is on the success with which this identity with the consumer can be impressed upon the Government and the

[1] Little has been said in this chapter of the possible internal modifications of the movement, but an attempt to centralise milk manufacture so as to completely balance liquid requirements within the movement and changes in the direction of "commodity wholesales" have both been advanced.

public that depends not only the future position of the co-operative movement under the schemes but the best hope of giving consumers as a class an effective place in the new agricultural policy.

THE NEW POLICY AND OVERSEAS PRODUCERS

THE overseas effects of British agricultural policy fall into two classes : first, the restriction of imports and the trade agreements by which they are governed ; and second, the organisation of agricultural marketing in the overseas countries which is either directly consequent on the altered British market or forms part of the same world-wide impulse to meet the fall in world agricultural prices by organisational and restrictive measures. No attempt can be made to describe or assess the work of the great overseas co-operative organisations. Only the more recent development of State-aided or State-controlled marketing can be briefly indicated in order to bring British policy into perspective.

In the broadest terms, the Ottawa Agreements (1932) laid down that the United Kingdom should create a preference for agricultural produce, fish, timber, metals and other goods of the Empire, either by the reduction of existing duties or the imposition of new duties, specific or *ad valorem*, on foreign goods. In return the Dominions gave a preference, usually 10 per cent. to 20 per cent., *ad valorem*, on certain exports from the United Kingdom. The list of goods so preferred varies greatly from one Dominion to another. This agreement has two important exceptions. With regard to all dairy and poultry produce, it is laid down that it shall be for three years only, terminating at the end of 1936 ; afterwards, Dominion produce may be subject to a preferential tariff or to a quota. There is, further, a provision for the gradual reduction to 65 per cent. of the 1931–32 level of the import into the United Kingdom of certain classes of foreign chilled and frozen meat. While this continues, Australia and New Zealand have agreed to restrict their exports voluntarily to the 1932 level. This agreement was indifferently observed and

terminated in June, 1934, since when provisional arrangements only have been made. A Dominion bacon quota was instituted from the first, Canada receiving her allotted and very generous maximum at Ottawa.

The Trade Agreements with the five Scandinavian countries date from the spring of 1933 and cannot be revised until 1937. They are the direct outcome of the agricultural policy of Great Britain. They provide for (*a*) a minimum quota by weight of fish imports into the United Kingdom, and (*b*) quotas of agricultural imports, sometimes a specific quantity, sometimes by subsequent negotiation, but in the case of Danish bacon and eggs, not less than 62 per cent. and 38 per cent. respectively of the total permitted foreign imports. Norway has also secured an agreement with regard to cod-liver oil, and Iceland with regard to chilled meat. In return, the Scandinavian countries agree to import a proportion of their foreign coal from the United Kingdom.[1] Trade agreements were also concluded with some of the smaller Baltic countries and with Poland. The latter dates from March, 1935, and provides for tariff concessions to British products, including textiles, herrings and motor-cars in return for most favoured nation treatment and the right to export to Great Britain not less than 41 per cent. of the bacon sent in 1932 and not less than 13 per cent. of the total foreign egg imports.

The Agreement with the Argentine (1933) lays down that until December 31, 1936, there shall be no restriction of imports of Argentine meat into the United Kingdom beyond 10 per cent., unless Empire and other supplies are also restricted. The United Kingdom also agrees not to increase duties or impose quotas on other agricultural produce, including grain, bacon and wool. In return, the Argentine agrees to facilitate the payment of debts in sterling, to maintain purchases of United Kingdom coal and to retain coal and other goods on the free list. What is, however, of peculiar interest, and is probably novel in international treaties, is that in the case of Denmark and Finland there

[1] Denmark, 80 per cent. ; Iceland, 77 per cent. ; Finland, 75 per cent. ; Norway, 70 per cent. ; Sweden, 47 per cent.

are a series of non-governmental, parallel agreements, between Danish and Finnish co-operative bacon factories and dairies and British manufacturers, for the use of British jute wrappers, saltpetre and parchment, at least for such produce as is destined for export to England, while in the case of the Argentine, preferential treatment is accorded by the Government of the United Kingdom to such meat-exporting establishments as are publicly or co-operatively owned.

The quantitative reduction of chilled and frozen meat and of bacon is thus in the main regulated by international agreement. Imports of fresh beef and veal and of live cattle from the Irish Free State were also restricted by an order coming into force at the beginning of January, 1934, which had the effect of reducing live cattle imports by half. This was ended a year later by an agreement for a permitted increase (one-third) in cattle imports against an increased export of British coal. Canada undertook some voluntary restriction in the export of live cattle. Further, the import of processed milks (dried, condensed, etc.) from abroad is controlled, as well as subject to duty. Potatoes are in the same position. Eggs are subject to a "standstill" agreement and there is a similar temporary agreement with Canada covering oats and oat products. The general result of restriction has been a fall in the agricultural imports from foreign countries and a slight net rise in those from the Dominions. The position, however, is far from stable. The Dominions still compete not only against the home farmer but against one another, and a planned specialisation based on comparative costs of production, though it seems to offer a possible solution, is still far off.

This, however, does not mean that the new conditions have been accepted with complete passivity, and therefore it is necessary to turn to the second subject indicated above and observe in broad outline how the exporting countries have adjusted their agriculture to an increasingly rigid market.

AUSTRALIA

Australia, or rather Queensland, followed by New South Wales, actually set the example to the Mother Country in the formation of commodity marketing boards. At present the interest of Australia in the meat question possibly overshadows developments in dairy and other commodity marketing. The technical advances in the keeping of chilled meat over increasing periods have brought Australia as well as New Zealand on to the British market, and the long and apparently inconclusive negotiations of the first half of 1935 were concerned with preserving the largest possible share in it to the Southern Dominions. It seems probable that some form of imperial preference, with or without quantitative control, will be the upshot, but definite terms have still to be agreed. In the meantime, a first step toward planning on the producers' side has been taken by an agreement to set up an Advisory Committee to allocate mutton and lamb exports between Australia and New Zealand. As 90 per cent. of the imports of the United Kingdom come from these two countries, the field covered is an important one. Proposals for the extension of the voluntary quota to all meat-exporting countries have not yet been carried beyond the stage of proposals.

The internal organisation of the Australian dairy industry has been carried to a more practical stage. The Paterson scheme for a domestic levy and a bounty on export, after operating for a number of years, was becoming unworkable because many butter factories refused to contribute. It is now proposed to replace it by a Commonwealth Butter Marketing Board. Dairy marketing regulations for the three Eastern states of Queensland, Victoria and New South Wales have been in operation since the spring of 1934. Butter shipments are restricted to a quota, the value of any excess sale being paid over to a Committee, and used to pay an equalised price of 3½d.–4½d. a lb. above the world price. A State-marketing plan for butter and cheese has also been brought forward in South Australia. Accompanying these moves there has been a rapid increase in exports creating a situation of some difficulty since it was

accompanied, except in New South Wales, by a fall in quality. Proposals for a quality test for all exported butter have been made but naturally do not find favour in the states of inferior production. In the meantime, the competition between New Zealand and Australian butter continues and no combined policy has been achieved.

Australian wheat producers have been affected by the state of the world market, in which Great Britain is an important element, rather than by the internationally minor development of the British Wheat Subsidy. The recent Australian Royal Commission on Wheat recommended (1) a fixed price to the Australian consumer; (2) a subsidy on exports making the price up to about 3s. per bushel, and (3) an excise duty on home-consumed flour. Wheat was already co-operatively organised in Western Australia and Queensland and in less degree in other states. Sugar is only of interest to Queensland, where cane sugar is controlled by a Marketing Board. Dominion preference on sugar is not guaranteed after 1937, but 18 months' notice of withdrawal of the preference has to be given. Egg exports are increasing, but no new organisation has emerged.

Two developments not on commodity lines indicate the realisation of a need for planning. An Australian Agricultural Council is to be set up, consisting of Ministers and representatives of Marketing Boards with expert advisers. It is intended that it should co-ordinate Marketing Schemes and speak for Australia with "a single voice" on agricultural matters.

New Zealand

New Zealand is even more interested in the meat question than Australia, since a larger proportion of her production is exported. She is also a large exporter of butter. During 1934 the unregulated butter exports rose in bulk and fell in value, while in the case of the controlled exports of mutton the experience was exactly reversed. But after a year's experience the necessity for meeting quotas produced a much more comprehensive system of planning than in Australia. The New Zealand Dairy Commission reported

at the end of 1934 in favour of commodity boards not only for dairy produce, but also for meat, honey, fruit and poultry, with an Executive Commission of a governmental character exercising supreme control over all of them. This took shape in the Agricultural Emergency Powers Act which was passed soon afterwards. Proposals were also made for a Rural Mortgage Corporation to take over all existing debts, with power to revise the rates of interest every three years.

Canada

A somewhat similar move was made in Canada, where the Natural Products Marketing Act of 1934 set up a Dominion Board to administer Marketing Schemes, either local or national, designed on the general lines of those in Great Britain. An all-Canadian dairy scheme, as well as provincial schemes for livestock, fish, lumber, cheese, fruit and vegetables, were laid before the Dominion Board shortly afterwards and some have already been adopted, including an egg scheme for British Columbia (one for the Prairie Provinces was turned down on a poll of producers), another for fruit and vegetables and milk in the same province, and a third for sheep and sheep products, all in the first half of 1935. In the case of eggs, inter-provincial trade indicated the need for more correlation, and the same problem seems to have occurred in the livestock industry, whose application for a federal scheme is under consideration.

Wheat is the Canadian product which has been the subject of the most striking and sustained attempt at organised marketing in the past. The Wheat Pools for the last few years have been reduced to the status of very large elevator co-operatives doing only a comparatively small selling business, and Canadian opinion about them is sharply divided. In the meantime, the wheat market is largely Government-controlled and the Winnipeg price is pegged considerably above the London price. Under this control, though it is not possible to discuss here how far, if at all, because of it, the price of wheat has risen to 15 cents a bushel

above the 1933 level. It is suggested that Canadian sales in the English market have thereby been reduced; at least they have suffered by comparison with those of the Argentine and Australia. The heavy carry-over of some years' standing has been reduced in part by sales to the United States, where restrictions plus drought had overshot the mark of reduced supplies. At the end of 1934 the Canadian Government went further and prohibited hedging by those not holding actual wheat, and shortly afterwards all trading in future beyond July, 1935, was forbidden. In March, 1935, the Government introduced a bill to establish a Canadian Grain Board intended to control all operations in wheat and coarse grains. It was described in debate as "a 100 per cent. government pool for Western Canada", and passed its second reading in June, 1935. It was supported by the Voluntary Pools and contested by the Grain Exchange interests.

The proposed Economic Council of Canada would seem to have some analogies with the Agricultural Council of Australia.

Irish Free State

The relation of the Irish Free State to British agricultural policy has been complicated by the political quarrel between the two countries and the economic sanctions applied by Great Britain. The course of livestock imports has already been described. During the period of stringent restrictions, a system of licensing and price-fixing and bounties was worked out. A minimum price of 25s. per cwt. live weight was fixed and dealers in the export trade only retained their licences provided they paid this price. It was also proposed to ear-mark cattle with the earliest date at which they might be sold. Other measures were a proposed canning factory and the free distribution of meat to persons on relief, distributors being licensed for the purpose.

The Irish dairy industry has for many years been organised very largely on co-operative lines, while since 1928 most proprietary creameries and some of the less efficient co-operative institutions have passed into the hands of the

Dairy Disposal Company, which is a public utility under State control. No national Marketing Scheme, however, has had any permanent success, though the small exports to foreign countries have been entrusted during recent years to the Dairy Disposal Company. For some time prior to the initiation of the new British policy, butter production had been on the increase. New areas were opened up, breeding and feeding improved; the heifer loan system increased the number of cows kept. When the British restrictions were introduced, the Irish Government replied with bounties and subsidies to creameries, which seem to have been fairly reflected in the price to suppliers. In the spring of 1935, proposals were put forward for a State-controlled Marketing Scheme. The Milk and Dairies Bill provided for the registration of dairymen, for inspection and "designated" grades, while giving power to the local authorities administering the Act to open milk depots. The Dairy Produce Bill continued the price stabilisation of a previous Act, fixing the home price and providing for a levy of 39s. per cwt. on all home sales to be used, together with a subsidy from public funds, to pay a bounty of 25s. per cwt. on exports, thus making the export price up to the home price less the levy.

A Pig and Bacon Bill was brought forward about the same time to set up separate Pig and Bacon Marketing Boards similar to those in Great Britain, but each with a chairman and secretary appointed by the Minister of Agriculture. The Pig Board was empowered to fix the price of pigs, but the Bacon Board was not given power to fix prices, though it might act as selling agent for the product.

The Irish Free State has a subsidised beet sugar industry but is not an exporter and therefore not concerned with English developments.

South Africa

Experiments in "compulsory co-operation" and export boards for various agricultural commodities in South Africa preceded English developments. The commodities principally affected—maize, tobacco, wine, sugar—were not

as a rule such as to clash directly with English developments. If the Report of the South African Commission on Co-operation and Agriculture, published in 1934, may be taken as an indication, policy is now turning to a separation of functions and a combination of voluntary co-operation with State control of export. As noted already, South Africa is interested in sugar and potentially interested in chilled meat.

Denmark and Northern Europe

The restrictions on British imports bore especially heavily on Denmark, a country which had with supreme efficiency built up an agricultural industry on the basis of British market demands. The Danish co-operative organisation proved nevertheless fully equal to the strain of readjustment ; and the distribution of the Danish quota among the bacon factories, and ultimately among the producers, was achieved by a piece of closely knit co-operative organisation. Incidentally, it secured what years of patient development failed to achieve, the centralisation of all Danish bacon export under predominantly co-operative control. In fact, though bacon exports fell heavily in bulk, this was almost compensated for by the rise in price. Dairy produce, for which no quota existed, increased in volume and prices continued to fall, but something was done to decrease the running costs of factories. It now seems possible that Danish control will have to be extended to cover a compulsory reduction of the cow and pig population, the regulation of home prices and the restriction of imports, including those of feeding-stuffs.

In *Sweden* similar steps have been taken towards centralisation in the egg, butter and bacon industries, the latter taken especially in order to meet the English quota. In *Holland* a Pig Central has been set up for the same purpose. A pig census has been taken, the country has been divided into districts for each of which a maximum production figure is established, and a check is provided by the earmarking of all pigs above 22 lbs. in weight. Prices are fixed by a formula covering the cost of feeding-stuffs. This

is said to have worked well so far and to have improved prices. *Latvia* has a Trade Agreement with Great Britain and has instituted a subsidised price for butter sold abroad, the State at the same time controlling the trade in dairy requirements. *Estonia* has also instituted butter bounties and the regulation of exports.

The Argentine

The position of the Argentine in the meat discussions is crucial and it is well understood that though without political connection with Great Britain, the Argentine has economic and financial claims to generous treatment in the British market, claims which for another year are sustained by international agreement. Towards the end of 1934, a Meat Board was set up by the Government. It was autonomous in character, consisting of nine members, three appointed by the Government, two selected from a list submitted by agricultural societies, two from a similar list submitted by rural societies, one from packers and one from stock-raisers. The Board was given powers to regulate home and foreign trade, to standardise and to publish market reports. It was also proposed to set up a National Meat Packing Company at Buenos Aires with municipal collaboration and the use of municipal abattoirs. Such a company would undertake both home and foreign, wholesale and retail sales and might be duplicated in other cities. In the spring of 1935 it was decided to send out an official Anglo-Argentine Committee of Inquiry into the costs of meat production.

Some steps have been taken in the pooling of Argentine wheat on co-operative lines and co-operative elevators have been set up, but the organisation is far from complete and has to some extent been superseded by State control of exports.

The United States of America

The great movement towards agricultural reorganisation in the United States has been brought about more by internal conditions than by world markets and has probably been wholly unaffected by British policy. It nevertheless

provides a parallel of the highest interest. The policy of the Agricultural Adjustment Act aims at raising agricultural prices to pre-War " parity " with industrial prices. To do this, it has destroyed agricultural produce and reduced acreage ; it has paid the farmer to do this out of the yield of a processing tax paid nominally by the manufacturer and actually by the consumer and to some extent the producer and supposed to make good the gap between the market and the " parity " price ; locally it has fixed prices by regional marketing agreements. All this, with the exception of the cotton and tobacco reductions, which became compulsory on a two-thirds vote of farmers, was carried through voluntarily by the agency of local Committees. It was accompanied by a credit organisation which took over the old debts of the farming community. An improvement in prices ensued, though this was sometimes attributed to dollar depreciation and the effects of drought as much as to voluntary reduction. More recently, discussion has turned to the so-called " Brandt Plan " of marketing agreements, licensing and pooling, applied by a two-thirds majority of producers.

Thus, on different lines and with varying measures of state and co-operative participation, the agricultural output, or at least the export of an ever-widening range of countries, is being brought under national control. In *Soviet Russia* the process has been going on for many years and only Russia's comparative weakness on the export market makes no more than a passing comment necessary in this study. At any moment Russian wheat may once more play an important part, together with Danubian wheat, of which the marketing is also to some extent planned. The national planning of the Totalitarian countries is more complex, for here political absolutism and the ascendancy of the national state have been associated with a tendency to revive the mediæval idea of self-regulating economic orders and to allow definite place for the small economic unit. In Italy the price of wheat is controlled through co-operative marketing organisations which also handle State advances on deliveries. Rice, beet and tobacco are controlled by State

or co-operative authorities. Which of the two contradictory currents of theory will prevail remains to be seen. The struggle, though of great theoretical interest, is less important to world economy than it might be, since both Italy and Germany aim at, and in some measure naturally possess, a closed national economy. The same is true of *Norway*, a country of very different political affinities where a national milk marketing and price equalisation scheme has been built up on strong co-operative foundations, a system which has its parallel in Austria.

International Agreements

It is obvious that where national plans have not been created to interlock harmoniously, there is grave danger of international collision. The World Economic and Monetary Conference of 1933 was to some extent a recognition of this danger. It failed, perhaps because it was premature, though the immediate agent of collapse was the United States, whose Government desired to pursue a national plan without international obligations. Sectional agreements have had more concrete results. The British Trade Agreements, already described, are open to the criticism that, while Great Britain has imposed the policy of her choice, the unfortunate exporting countries have secured little but an unpleasant certainty in place of an uncertainty even less agreeable. But these agreements, though in their quantitative character they are perhaps the most significant, are not the only ones which have taken place between nations as a result of national planning. An unsuccessful attempt in 1931 to reach a multilateral agreement for the preferential treatment of import quotas of cereals from the agricultural countries of Central and Eastern Europe, did at least result in two bilateral treaties between Roumania and Germany and Hungary and Germany respectively, for the reduction of tariffs on barley, maize and wheat. Earlier tariff agreements among groups occurred in the three Scandinavian countries: the Baltic countries both among themselves and with Russia: Russia and her Asiatic neighbours: the Balkan countries: Spain, Portugal and South America:

Japan and the Far East. In a different order of undertakings were the semi-private, semi-official barter agreements, of which the exchange of Brazil coffee against American wheat attracted most attention.

In addition, three commodities have been the subject of international conventions of a non-governmental character—rubber, sugar and wheat. The international restriction of rubber output is of many years' standing. The so-called Chadbourne Convention (1931) included all the principal sugar producers and placed the marketing of sugar on a quota basis backed by restriction of production. It achieved some success, although in 1935 it was found necessary to propose a new World Sugar Conference to devise a further restriction of production. The International Wheat Conference met in 1933 and also achieved some success, for which it probably had to thank the co-operative machinery existing in almost every participating country. This agreement, covering the harvests of 1933 and 1934, introduced for the first time a system of international control over the marketing of wheat. Canada, the United States, Argentina, Australia, Russia and the Danubian countries each received a quota of the estimated needs of the world; there was provision for the allocation of surplus demand; and the importing countries agreed to discourage the extension of wheat acreage, to do what they could towards reducing tariffs and import restrictions and increasing the consumption of wheat. The agreement had some effect in reducing surplus on the market, though it was complained that the Argentine—the major country with least co-operative organisation—had exceeded her quota, and the drought in the United States was probably as powerful a factor as deliberate limitation. A further meeting of the Wheat Advisory Committee was held in London in May, 1935, and it was agreed to recommend the extension of the agreement, due to expire that year, until 1936, and in the meantime to reconsider the machinery of control.

SUMMARY AND CONCLUSIONS

It remains to re-state in brief the conclusions which have been reached in the preceding chapters and to answer if possible the questions of special social, economic and co-operative interest raised at the beginning of this survey.

The new agricultural policy has been maturing in Great Britain for some ten years. It has involved the subsidising of two field crops, neither of them important to the general body of farmers but both assisting the type of farming (large-scale arable cultivation) which was maintaining itself least successfully in the face of world conditions. Quite incidentally, the devisers of the Wheat Act hit on an ingenious and relatively inoffensive form of subsidy (the levy and deficiency payment) which has so impressed observers with its merits that it seems likely to be extended to other commodities. Its virtues are that (1) it is self-regulating. A maximum having been fixed that may be drawn from the levy, the *pro rata* subsidy diminishes as the home acreage increases. This automatically prevents extension on to grossly unsuitable land. (2) There is no subsidy from the Exchequer, but it is provided by the trade, *i.e.* by the consumers. Thus there is no item in the Budget on which opposition can be raised annually. It is this withdrawal of the subsidy from Parliamentary opposition (except by direct specific motion) which recommends the method both to the Treasury and Ministry of Agriculture. Meanwhile, a permissive Act, designed to promote a rationalisation of agricultural marketing on co-operative lines, considerably amended and variously applied, has resulted in different measures of control being extended to four commodities—in the case of hops, a price-fixing monopoly, resting on limitation of production; in the case of potatoes the same, but with less rigid limitation and some machinery for dealing

economically with surplus; in the case of bacon, the introduction of a system of forward contracts; and in the case of milk, price-fixing and the pooling of prices to producers no matter for what purpose their milk is used. For all commodities affected [1] and for several unaffected by the schemes and subsidies described, there is either protection against imports (either by tariffs or quotas), or where this is precluded by existing treaties, a subsidy pending the time when protection can be applied.

The new agricultural policy has, for the time at least, improved the position of the farmer, and of the landlord. It has stabilised the position of the agricultural labourer and given him his opportunity to press for improvements. Great indeed would have been the marvel if a heavy subsidy to the growers of wheat and beet, a greatly enhanced aggregate price to the producers of manufacturing milk, a small subsidy on beef, a monopoly price for potatoes and hops, with tariffs on minor crops and market-garden produce, had failed to put more money into the pockets of those who derive their income from agriculture. Production, however, has risen and the agricultural price index rose 7 points between 1933 and 1934, exclusive of the wheat and cattle subsidy. It is significant that the rise was confined to the planned commodities and that the index for the unplanned commodities fell. Agriculture, for the time at least, had been taken "out of the speculative into the gilt-edged market". The paymasters and, it may be thought, the losers have been the taxpayer and the consumer. It was calculated in 1933, that state grants, subsidies and remission to agriculture amounted to £45,000,000, or 15s. per week to every person engaged in the industry. By 1935, this had been increased by the meat and milk subsidies, though the sugar subsidy was probably working out at a rather lower figure. Import duties had increased. In recent years, the heavier beet and wheat subsidies have actually equalled the free market price of the commodity. Not only did the consumer pay more over the counter for a commodity

[1] The levy on wheat should perhaps be excepted as it is a levy on all millable wheat, not merely on imports.

like milk, but he also paid as taxpayer. Nevertheless, the consumer remained quiescent; for the low level and continued fall of world prices combined to neutralise the effect of price raising confined to a limited range of commodities.

Criticism of the new agricultural policy turns therefore to the future. In the first place, is it likely to last? The question is to some extent political, and here it can only be said that though the National Government appears to be edging away from Marketing Schemes in the direction of the levy and subsidy method, and though the Labour Party can never be really happy with a dear food policy, both have a Marketing Act on their consciences and both are pledged with varying emphasis to the assistance and organisation of agriculture. It is probably at most a choice between a minimum of organisation with protection or subsidy on the one hand, and a more elaborate and nationally controlled organisation with import boards on the other. Nor does it appear that in the petty parliaments of the commodity boards the policy of control will experience any immediate reversal. A revolt of the consumer which might take political effect will scarcely come unless and until the rise in world prices reacts upon staple commodities in England and the price-fixing efforts of the Board attain a belated and possibly unfair notoriety. Then, as some critics believe, the situation may issue in the destruction of the schemes or in complete socialisation. In the meantime, overseas exporters will have to use all their diplomatic skill and commercial and financial influence if they are not to be the real victims of the policy.

Speculation therefore turns upon the economic chances of survival of the schemes. On this plane admittedly the policy is vulnerable, and detached specialists have not been slow to point out that British farming cannot subsist eternally on subsidies or a long-term policy of price raising, but must produce at competitive prices if it is to survive. Without a sound technical basis, planning may be both costly and dangerous. The farmer, relieved of responsibility for marketing his produce, should concentrate not only on high production either per acre or (as increased labour

and reduced rent charges would indicate) per man, but on selected types of farming, which in Great Britain should be those involving high skill, much employment and expensive transport. The new policy is in danger of taking him in the opposite direction, since it offers subsidies and other incentives to the production of commodities which the English farm cannot turn out competitively, a policy which has been described brutally as "an attempt to salve a doomed section of the industry". Further stabilised prices and methods of sale, the limitations of output and the traffic in basic quotas, may easily tend to reduce the elasticity of farming, and possibly, through the partial elimination of competition, its efficiency. Moreover, the schemes have as yet done little to increase the efficiency of the secondary process of distribution, where costs would appear to have been not only stereotyped but often raised. Both consumption and production have an organic quality and depend on variables. To them a mechanical control may be less valuable than an appropriate stimulus, but there is no excuse for leaving an inorganic process like distribution to the crude competitive hazards. It can be argued that the urban consumer and the overseas producer have alike been sacrificed to non-economic ends. Indeed, the dangers of economic nationalism, both in their imperial and international aspects, were from the first so apparent that some representatives of free trade opinion have been inclined to prefer tariffs to quotas. Tariffs, it was argued, would be less likely to work to the advantage of importers, they would induce a more calculable price rise and, since presumably they would not be linked with home production, they would give the prospect of more assured conditions of foreign trade. But in Great Britain, where the bulk of imports on which duty would have to be levied so greatly exceeds that of the output to be protected, general and severe agricultural tariffs remain an unlikely expedient. For the regulation of imports by quota, it has on the other hand been claimed that it was a means of fitting supply to demand. Somewhat the same thing might have been said of the remarkable system of price differentiation in milk, which gives a flat or

pooled price to the producer and rates differentiated on various bases to the consumer. This point has been made, though its full economic implications have not been explored.

The policy of fitting supply to demand has much to recommend it. The whole tragedy of the slump, with its wasted goods and hungry mouths, may be taken as a lesson of failure in the effort to fit supply to demand or demand to supply by the ordinary operations of the market. But if the planning process is to be successful, certain conditions are necessary. The two terms of supply and demand must in fact be reversible. Planning must not be merely for the effective demand of a particular time, but must attain a balance which is humanly satisfying and therefore both flexible and stable. It has been frequently observed and as frequently forgotten that the problem is as much one of consumption as of production. In the second place planning, if it is to claim economic sanction or even to be permanent, must be economic and not political. Much of the planning of British agriculture is vitiated economically by the fact that it presupposes an uneconomic scale of values—home, British, overseas and foreign. To judge by results, it would appear to have introduced a further refinement in the placing of arable before other categories of home agriculture, but this may have been inadvertent.

In the face of these considerations, what is the verdict of the co-operator, who is no politician but is exclusively interested in economic efficiency and social welfare? Clearly the political scale of values outlined above has no value for the co-operator, but this scale may be dismissed for the moment as the incident of a variable policy rather than part of the intrinsic nature of planning. The Marketing Schemes have one strong claim on co-operative sympathy. They are democratic. This has been called in question on two grounds, the compulsory element and the absence of real control by members. There is little in either objection, seeing that compulsory citizenship is the almost unnoticed essential of political democracy, and that pattern of industrial democracy, the consumers' co-operative movement, has admittedly a very small active electorate. A more

serious criticism is that the Boards have only the slenderest democratic relation to the public at large. Their powers are frankly monopolistic and the wisdom with which they have used them is at least questionable. So far the Boards have been using their power only to raise prices and have even been content to let the distributors raise their remuneration on a sort of quid pro quo basis. There has been little sign of bringing pressure to bear on weak producers with the ultimate policy of cheapening the commodity and increasing the demand. The public will at the end revolt at policies of restriction, at subsidies which do not bring their return in better service to the consumers. The State is interested in agriculture, not in farmers, and the damage to the whole policy lies in this forgetfulness of farmers' representatives that a return in the shape of efficiency is expected from them. Of course one must remember that all the schemes are as yet young and tentative, but the delays in setting up Development Boards looking after the production and distribution is disconcerting. The balance could be adjusted by such methods or by the grant of complementary powers elsewhere, with or without the neutral presidency of the State. This is the issue for which the consumers' co-operative societies appear to be working. Is it generally acceptable ?

To many co-operators such a solution brings a sense of uneasiness. Co-operators in general have hitherto laid an almost priggish stress on self-help, and have pointed to the moral (and ultimately the economic) value of voluntary associates learning to manage their own affairs ; the movement, wherever it has succeeded, has been frugal, patient, persevering, intelligent ; it has taken pride in its ability to beat the private trader at his own game. While condemning competition, it has been the most successful of competitors. There are plants which flourish in the anarchy of nature but lose their good habits in an ordered garden. Co-operation, looking into the future, sees the economic jungle of which it has been a happy if disapproving member, threatened by the reformer's axe. The garden it distrusts. There is a school of socialist thought which, in a sense, endorses this view,

since it regards co-operation as no more than a transitory and palliative expedient which will be scrapped as soon as a full socialist system can be articulated. To co-operators the dilemma is more subtle and more interesting. The logical fulfilment of co-operative theory is the clearance of the jungle. With a practical experience that few socialists have enjoyed, co-operators recognise the wastage, the injustice, even in large issues the crude incapacity of the competitive system ; but they also recognise that in certain directions, and especially in technical matters, the stress and tension of conflicting interests have made for efficiency. The great question of planned economy is whether conscious thought or some new form of tension can, while eliminating waste and injustice, secure an equal or greater technical and social efficiency. One method is to recreate a more disinterested form of tension by assigning a legitimate place in the plan to as many self-governing groups as there are socially valuable interests engaged. It is in this direction that co-operative opinion would seem, tentatively enough, to be moving.

But if a state of balanced tension is to return, it must be on a more deliberate and conscious plane, and here re-enters the question of policy, which in the case of British agriculture has invited so much more criticism than the mere existence or the mechanics of a planned system. The first need of a policy is that it should be universally appropriate—sauce alike for the consuming goose and the producing gander. The international aspects have been referred to more than once, and it is only necessary here to remember the difficulty of introducing any regional plan into an economically homogeneous world and to suggest that economic nationalism is sometimes not so much a piece of jingo patriotism as a despairing search for a manageable and watertight unit. The main task of a policy aiming at universal appropriateness is so to adjust forces and train purposes that demand and supply, consumption and production, both fluid and fluctuating, may coincide in some way which will avoid alike waste and want. Consumption must be forecast and supply guaranteed without imposing a rigidity which leaves

no place for improved methods, greater output or changing tastes. Rather it should be the test of the social efficiency of planned economy that it bring such changes and improvements about more rapidly and judiciously than the haphazard system which it replaces. In all these things co-operation has, if it can but make them effective, a faith and a technique.

From such large considerations a descent to the half-developed planning of British agriculture and the slender efforts of agricultural co-operators is perhaps disillusioning. An aeroplane view over untravelled country is, however, sometimes worth attempting, even by a people with a preference for trees over woods as strong as is our own. Moreover, the wood in which the co-operative movement now strays is tangled and adventurous beyond any it has yet explored.

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